APR 2 0 2017

aboitiz
Equity Ventures

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

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

via PSE EDGE
PHILIPPINE STOCK EXCHANGE, INC.
3rd Floor, Philippine Stock Exchange Plaza
Ayala Triangle, Ayala Avenue, Makati 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. VINA VANESSA S. SALONGA**
Head - Issuer Compliance and Disclosures Department

Gentlemen:

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

Kindly acknowledge receipt hereof.

Thank you.

Very truly yours,

ABOITIZ EQUITY VENTURES, INC.
By:

SECURITIES AND EXCHANGE COMMISSION
RECEIVED
APR 2 0 2017
MARKET REGULATION DEPT.
BY: TIME: 11:28

M. JASMINE S. OPORTO
Corporate Secretary

COVER SHEET

C E O 2 5 3 6

S.E.C. Registration Number

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

(Company's Full Name)

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

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

P H I L I P P I N E S

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

M. JASMINE S. OPORTO

Contact Person

(02) 886-2729

Company Telephone Number

1 2 3 1

Month *Day*

Fiscal Year

2 0 - I S

FORM TYPE

3rd Monday of

0 5 1 5

Month *Day*

Annual Meeting

N/A

Secondary License Type, if Applicable

SEC

Dept. Requiring this Doc

N/A

Amended Articles Number/Section

Total No. of Stockholders

x

Domestic

Foreign

- -

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

S T A M P S

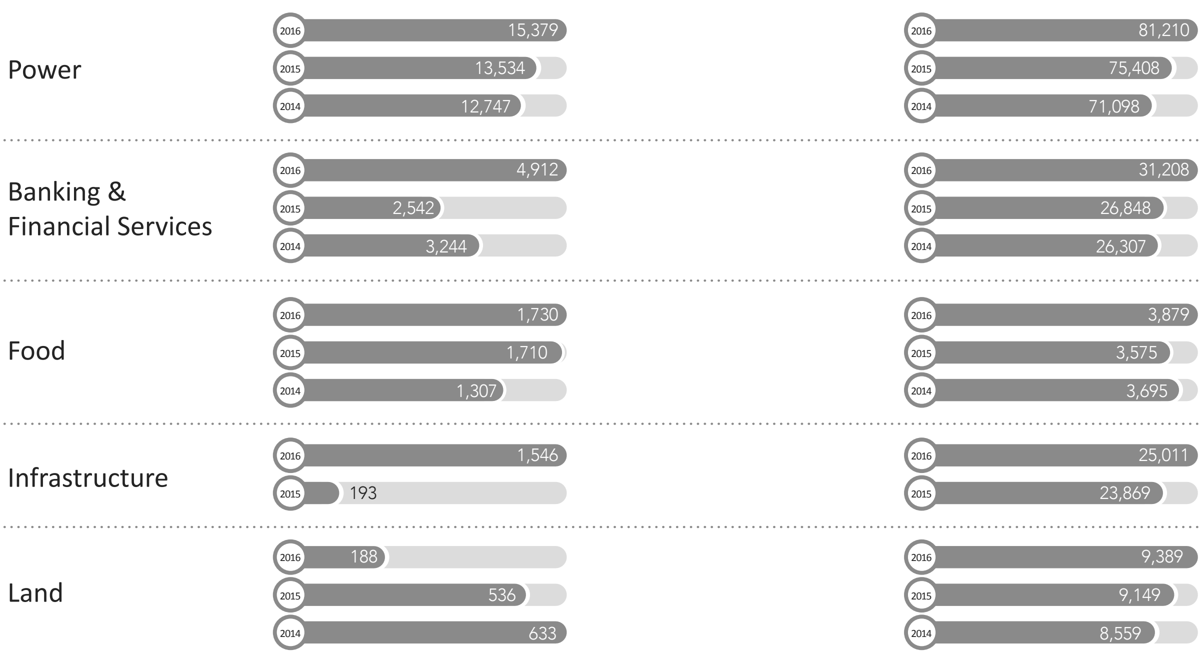
Remarks = Pls. use black ink for scanning purposes

FINANCIAL SUMMARY (In Million Pesos)

	2014	2015	2016	% CHANGE (2016 vs. 2015)
INCOME STATEMENT				
Revenues	109,867	111,260	116,415	4.6%
Operating costs & expenses	(85,321)	(83,842)	(87,494)	
Operating profit	24,546	27,418	28,921	5.5%
Equity in net earnings of associates	7,244	6,589	9,652	46.5%
Other charges	(4,199)	(6,525)	(5,630)	-13.7%
Income before income tax	27,591	27,482	32,943	19.9%
Provision for income tax	(4,026)	(4,325)	(4,290)	-0.8%
Net Income before non-controlling interests	23,565	23,157	28,653	23.7%
Non-controlling interests	(5,184)	(5,478)	(6,180)	
Net income attributable to equity holders of parent	18,381	17,679	22,473	27.1%
EBITDA	38,356	40,171	48,128	19.8%
FINANCIAL CONDITION				
Total assets	280,997	340,118	464,077	36.4%
Total liabilities	146,062	193,133	290,681	50.5%
Non-controlling interests	26,991	28,764	33,121	15.1%
Equity attributable to equity holders of the parent	107,944	118,220	140,275	18.7%
RATIOS				
Per Share (Pesos)				
Earnings	3.32	3.18	4.02	26.4%
Book value	19.49	21.28	24.90	17.0%
Cash dividend to common	1.80	1.11	1.06	-4.5%
Return on equity	20.4%	17.1%	19.7%	
Current ratio	2.76	2.84	2.51	
Debt/Equity	1.08	1.31	1.68	
Net debt/Equity	0.50	0.66	1.10	

Income Contribution Breakdown
PER BUSINESS SEGMENT (in Php millions)

Equity Investment Breakdown
PER BUSINESS SEGMENT (in Php millions)



NOTICE AND AGENDA OF ANNUAL MEETING OF STOCKHOLDERS

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

NOTICE is hereby given that the Annual Meeting of the Stockholders of ABOITIZ EQUITY VENTURES, INC. will be held on May 15, 2017, 4:00 p.m., at the Ballroom 2, 2nd Floor, Fairmont Makati, 1 Raffles Drive, Makati Avenue, Makati City, 1224 Philippines.

The Agenda* of the meeting is as follows:

1. Call to Order
2. Proof of Notice of Meeting
3. Determination of Quorum
4. Reading and Approval of the Minutes of the Previous Stockholders' Meeting held on May 16, 2016
5. Presentation of the President's Report
6. Approval of the 2016 Annual Report and Financial Stataments
7. Appointment of the Company's External Auditor for 2017
8. Ratification of the Acts, Resolutions and Proceedings of the Board of Directors, Corporate Officers and Management in 2016 up to May 15, 2017
9. Election of the Members of the Board of Directors
10. Other Business
11. Adjournment

Only stockholders of record at the close of business hours on March 31, 2017 are entitled to notice and to vote at this meeting. Registration will start at 2:00 p.m. and will end at 3:45 p.m. Stockholders are requested to present any valid proof of identification, such as driver's license, passport, company ID or SSS/GSIS ID upon registration. Aside from personal identification, representatives of corporate stockholders and other entities should also present a duly sworn Secretary's Certificate or a similar document showing his or her authority to represent the corporation or entity.

Stockholders who are unable to attend the meeting may execute a proxy in favor of a representative. In accordance with the Amended By-Laws of the Company, proxies must be submitted for inspection, validation and recording at least seven days prior to the opening of the Annual Stockholders' Meeting, or on or before May 8, 2017, to the Office of the Corporate Secretary at the 18th Floor of NAC Tower, 32nd Street, Bonifacio Global City, Taguig City, Metro Manila. The Proxy Verification Committee will inspect, examine and validate the sufficiency of the proxy forms received.

We enclose a sample proxy form for your convenience.

For the Board of Directors:

M. Jasmine S. Oporto

M. JASMINE S. OPORTO
Corporate Secretary

SECURITIES AND EXCHANGE COMMISSION
RECEIVED
APR 20 2017
MARKET REGULATION DEPT.
TIME: 11:25

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

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

1. Check the appropriate box:
   [ ] Preliminary Information Statement
   [X] Definitive Information Statement

2. Name of Registrant as specified in its charter: **ABOITIZ EQUITY VENTURES, INC.**

3. Province, country or other jurisdiction of incorporation or organization: **PHILIPPINES**

4. SEC Identification Number: **CEO2536**

5. BIR Tax Identification Code: **003-828-269-000-V**

6. Address of principal office: **32ND STREET, BONIFACIO GLOBAL CITY**
   TAGUIG CITY, METRO MANILA
   1634 PHILIPPINES

7. Registrant's telephone number, including area code: **(02) 886-2800**

8. Date, time and place of the meeting of security holders:

   Date : **MAY 15, 2017**
   Time : **4:00 P.M.**
   Place : **BALLROOM 2, 2ND FLOOR FAIRMONT MAKATI**
   1 RAFFLES DRIVE, MAKATI AVENUE, MAKATI CITY
   1224 METRO MANILA, PHILIPPINES

9. Approximate date when the Information Statement is first to be sent or given to security holders: **APRIL 20, 2017**

10. In case of Proxy Solicitations: **N/A**

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the Revised Securities Act (Information on number of shares and amount of debt is applicable only to corporate registrants):

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

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

No. of Common Shares Outstanding as of December 31, 2016 **5,633,792,557**

Amount of Debt Outstanding as of December 31, 2016 **₱255,786,255,493.00**

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

    Yes X No

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

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

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

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

Date of meeting	:	**May 15, 2017**
Time of meeting	:	**4:00 P.M.**
Place of meeting	:	**Ballroom 2, 2nd Floor Fairmont Makati, 1 Raffles Drive, Makati Avenue, Makati City 1224 Metro Manila, Philippines**
Approximate mailing date of this statement	:	**April 20, 2017**
Complete mailing address of the principal office of the registrant	:	**18th Floor, NAC Tower, 32nd Street Bonifacio Global City Taguig City, Metro Manila 1634 Philippines**

Item 2. Dissenter's Right of Appraisal

There are no matters or proposed actions included in the Agenda of the Meeting that may give rise to a possible exercise by the stockholders of their appraisal rights. Generally, however, the stockholders of Aboitiz Equity Ventures, Inc. (hereinafter referred to as AEV or the Company or the Registrant) have the right of appraisal in the following instances: (a) in case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence; (b) in case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code of the Philippines (Corporation Code); and (c) in case of merger or consolidation.

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

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

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

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

(b) No director has informed AEV in writing that he intends to oppose any action to be taken by AEV at the meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

(a) Class of Voting Shares as of March 31, 2017:

Nationality	Class of Voting Shares	Number of Shares	Percentage
Filipino	Common	5,071,990,634	90.03%
Non-Filipino		561,801,923	9.97%
Total Number of Shares Entitled to Vote		**5,633,792,557**	**100.00%**

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

(b) Record Date

All stockholders of record as of March 31, 2017 are entitled to notice and to vote at AEV's Annual Stockholders' Meeting.

(c) Election of Directors and Cumulative Voting Rights

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

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

In accordance with Sections 2 and 3 of AEV's Guidelines for the Nomination and Election of Independent Directors (Guidelines), nominations for Independent Directors must be submitted to the Corporate Secretary from January 1, 2017 to February 15, 2017.

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

No discretionary authority to cumulate votes is solicited.

(d) No proxy solicitation is being made.

Security Ownership of Certain Record and Beneficial Owners and Management

(1) Security Ownership of Certain Record and Beneficial Owners (more than 5% of the voting shares) as of March 31, 2017

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held and Nature of Ownership (Record and/or Beneficial)	Percentage of Class Owned
Common	**1. Aboitiz & Company, Inc. (ACO)**[1] Aboitiz Corporate Center Gov. Manuel A. Cuenco Avenue Kasambagan, Cebu City (Stockholder)	ACO[2]	Filipino	2,735,600,915 (Record and Beneficial)	48.56%
Common	**2. PCD Nominee Corporation**[3] **(Filipino)** G/F MSE Bldg., Ayala Avenue Makati City (Stockholder)	PCD participants acting for themselves or for their customers.[4]	Filipino	770,566,319 (Record)	13.68%
Common	**3. PCD Nominee Corporation**[5] **(Foreign)** G/F MSE Bldg., Ayala Avenue Makati City (Stockholder)	PCD participants acting for themselves or for their customers.[6]	Non-Filipino	548,229,246 (Record)	9.73%
Common	**4. Ramon Aboitiz Foundation, Inc. (RAFI)**[7] 35 Lopez Jaena St., Cebu City (Stockholder)	RAFI	Filipino	424,538,863 (Record and Beneficial)	7.54%

[1] ACO, the major shareholder of AEV, is a corporation wholly owned by the Aboitiz family. No single stockholder, natural or juridical, owns 5% or more of the shareholdings of ACO.

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

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

[4] AEV has no record relating to the power to decide how the shares held by PCD Nominee Corporation (Foreign and Filipino) to be voted. Of the 770,566,319 shares held by PCD Nominee Corporation (Filipino), at least 373,219,401 shares or 6.62% of the voting stock of AEV are for the account of Papa Securities Corporation (PapaSec). AEV is not related to PapaSec.

[5] *Supra Note 3.*

[6] *Supra Note 4.*

[7] Mr. Roberto E. Aboitiz and/or Mr. Jon Ramon Aboitiz, Chairman of the Board/President and Vice President, respectively, of RAFI, will vote for the shares of RAFI in AEV in accordance with the directive of the RAFI Board of Trustees.

(2) Security Ownership of Management as of March 31, 2017 (Record and Beneficial)

Name of Beneficial Owner and Position	Title of Class	No. of Shares and Nature of Ownership (Direct or Indirect)		Citizenship	Percentage of Ownership
Jon Ramon Aboitiz Director/Chairman of the Board	Common	4,648	Direct	Filipino	0.00%
		129,200,932	Indirect		2.29%
Erramon I. Aboitiz Director/President & Chief Executive Officer	Common	1,001,000	Direct	Filipino	0.02%
		67,128,761	Indirect		1.19%
Enrique M. Aboitiz Director	Common	6,000	Direct	Filipino	0.00%
		0	Indirect		0.00%
Roberto E. Aboitiz Director	Common	10	Direct	Filipino	0.00%
		0	Indirect		0.00%
Justo A. Ortiz Director	Common	1	Direct	Filipino	0.00%
		0	Indirect		0.00%
Antonio R. Moraza Director	Common	1,000	Direct	Filipino	0.00%
		15,351,132	Indirect		0.27%
Jose C. Vitug Independent Director	Common	100	Direct	Filipino	0.00%
		72,020	Indirect		0.00%
Raphael P. M. Lotilla Independent Director	Common	100	Direct	Filipino	0.00%
		0	Indirect		0.00%
Stephen T. CuUnjieng Independent Director	Common	100	Direct	Filipino	0.00%
		0	Indirect		0.00%
Sabin M. Aboitiz Executive Vice President – Chief Operating Officer	Common	14,377,050	Direct	Filipino	0.26%
		4,096,657	Indirect		0.07%
Manuel R. Lozano Senior Vice President/Chief Financial Officer/ Corporate Information Officer	Common	99,924	Direct	Filipino	0.00%
		82,691	Indirect		0.00%
Juan Antonio E. Bernad Senior Vice President	Common	730,351	Direct	Filipino	0.01%
		462,858	Indirect		0.01%
Xavier Jose Aboitiz Senior Vice President - Chief Human Resources Officer	Common	1,998,236	Direct	Filipino	0.04%
		19,942,350	Indirect		0.35%
Gabriel T. Mañalac Senior Vice President - Group Treasurer	Common	103,188	Direct	Filipino	0.00%
		0	Indirect		0.00%
Susan V. Valdez Senior Vice President - Chief Corporate Services Officer	Common	639,261	Direct	Filipino	0.01%
		0	Indirect		0.00%
M. Jasmine S. Oporto Senior Vice President - Corporate Secretary/ Chief Compliance Officer	Common	82,436	Direct	Filipino	0.00%
		0	Indirect		0.00%
Robert McGregor Senior Vice President - Chief Strategy and Investment Officer	Common	133,865	Direct	British	0.00%
		0	Indirect		0.00%

Name of Beneficial Owner and Position	Title of Class	No. of Shares and Nature of Ownership (Direct or Indirect)		Citizenship	Percentage of Ownership
Luis Miguel O. Aboitiz Senior Vice President	Common	24,271,138	Direct	Filipino	0.43%
		0	Indirect		0.00%
Horacio C. Elicano First Vice President - Chief Technology Officer	Common	245,663	Direct	Filipino	0.00%
		0	Indirect		0.00%
Melinda R. Bathan First Vice President - Controller	Common	95,830	Direct	Filipino	0.00%
		0	Indirect		0.00%
Narcisa S. Lim First Vice President - Human Resources and Quality	Common	52,936	Direct	Filipino	0.00%
		0	Indirect		0.00%
Annacel A. Natividad First Vice President – Chief Risk Officer	Common	0	Direct	Filipino	0.00%
		67,635	Indirect		0.00%
Manuel Alberto R. Colayco First Vice President – Chief Legal Officer	Common	12,500	Direct	Filipino	0.00%
		0	Indirect		0.00%
Jojo S. Guingao First Vice President – Digital Management	Common	11,500	Direct	Filipino	0.00%
		0	Indirect		0.00%
David Jude L. Sta. Ana First Vice President – Government Relations	Common	200	Direct	Filipino	0.00%
		0	Indirect		0.00%
Mailene M. de la Torre Senior General Counsel for Governance & Compliance/Assistant Corporate Secretary	Common	0	Direct	Filipino	0.00%
		0	Indirect		0.00%
TOTAL		**280,272,073**			**4.98%**

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

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

(4) Changes in Control

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

Item 5. Directors and Executive Officers

(a) Directors and Officers for 2016 - 2017

(1) Directors for 2016-2017

Below is a list of AEV's directors for 2016 - 2017 with their corresponding positions and offices held in the past five years. The directors assumed their directorship during AEV's Annual Stockholders' Meeting in 2016 for a term of one year.

JON RAMON ABOITIZ Chairman – Board of Directors Chairman – Board Corporate Governance Committee Member – Board Risk and Reputation Management Committee	Mr. Jon Ramon Aboitiz, 68 years old, Filipino, has served as Chairman of the Board of Directors of AEV since January 5, 2009. He has been the Chairman of the Board Corporate Governance Committee since February 11, 2009 and has been a member of the Board Risk and Reputation Management Committee since May 17, 2010. Mr. Aboitiz was President/Chief Executive Officer of AEV since 1994 until his retirement in December 2008. He began his career with the Aboitiz Group in 1970. From manager of Aboitiz Shipping Corporation, Mr. Aboitiz was promoted to President in 1976. He headed the Aboitiz Group's power business in 1989 and was President of Aboitiz & Company, Inc. (ACO) from 1991 to 2008. He is currently Chairman of the Board of Directors of ACO. He holds the following positions in publicly listed companies: Vice Chairman of Aboitiz Power Corporation (AboitizPower) and Union Bank of the Philippines (UnionBank); and a director of Bloomberry Resorts Corporation (Bloomberry) and International Container Terminal Services, Inc. (ICTSI). He is the Chairman of UnionBank's Executive Committee, Risk Management Committee and the Vice Chairman of its Corporate Governance Committee, including the latter's Compensation Remuneration and Nomination Sub-Committees. He is a trustee and the Vice President of Ramon Aboitiz Foundation, Inc. (RAFI); a trustee of the Philippine Business for Social Progress (PBSP) and the Association of Foundations; and a member of the Board of Advisors of The Coca- Cola Export Corporation (Philippines) and Pilipinas Kao, Inc. Mr. Aboitiz holds a Bachelor of Science degree in Commerce, Major in Management from the Santa Clara University, California, U.S.A. He is not connected with any government agency or instrumentality.
ERRAMON I. ABOITIZ Director President & Chief Executive Officer Member – Board Risk and Reputation Management Committee	Mr. Erramon I. Aboitiz, 60 years old, Filipino, has served as President & Chief Executive Officer of AEV since January 5, 2009. He has been a director of AEV since May 9, 1994 and a member of the Board Risk and Reputation Management Committee since May 18, 2015. Mr. Aboitiz was the Executive Vice President and Chief Operating Officer of AEV from 1994 to December 2008. He is a director and the Chief Executive Officer of AboitizPower, and a director of UnionBank, both publicly listed companies. He is also a director and the President and Chief Executive Officer of ACO; the Chairman of the Board of Directors of Aboitiz Infracapital, Inc. (Aboitiz InfraCapital), San Fernando Electric Light & Power Co. Inc. (SFELAPCO), Subic EnerZone Corporation (SEZ), SN Aboitiz Power-Magat, Inc. (SN Aboitiz Power-Magat), SN Aboitiz Power-Benguet, Inc. (SN Aboitiz Power-Benguet), Manila-Oslo Renewable Enterprise, Inc. (MORE), Aboitiz Renewables, Inc. (ARI), Therma Power, Inc. (TPI), Aboitiz Land, Inc. (Aboitiz Land), CRH Aboitiz Holdings, Inc. (CRH Aboitiz), Abovant Holdings, Inc., (Abovant), Balamban Enerzone Corporation (BEZ) and Lima Enerzone Corporation (LEZ) and Vice Chairman of Republic Cement and Building Materials, Inc. (RCBM). He is

	a director of Davao Light & Power Company, Inc. (Davao Light), Cotabato Light & Power Company (Cotabato Light), Therma South, Inc. (TSI), Apo Agua Infrastructura, Inc. (Apo Agua), AP Renewables, Inc. (APRI), Pilmico Foods Corporation (Pilmico), Pilmico Animal Nutrition Corporation (PANC), PETNET, INC. (PETNET), Archipelago Insurance Pte. Ltd. (Archipelago Insurance), AEV International Pte. Ltd. (AEV International), and AboitizPower International Pte. Ltd. (AboitizPower International). He is also the Chairman of the Board of Trustees of Aboitiz Foundation, Inc. (Aboitiz Foundation), and is a director of the Philippine Disaster Recovery Foundation. He holds a Bachelor of Science degree in Business Administration, Major in Accounting and Finance, from Gonzaga University, Spokane, Washington, U.S.A. He is not connected with any government agency or instrumentality.
ENRIQUE M. ABOITIZ Director Chairman – Board Risk and Reputation Management Committee	Mr. Enrique M. Aboitiz, 63 years old, Filipino, has served as a director of AEV since May 9, 1994, and has been a member of the Board Risk and Reputation Management Committee since February 11, 2009. He is also the Chairman of the Board of Directors of AboitizPower, a publicly listed company, and a director of ACO. Mr. Aboitiz graduated with a Bachelor of Science degree in Business Administration, Major in Economics, from Gonzaga University, Spokane, Washington, U.S.A. He is not connected with any government agency or instrumentality.
ROBERTO E. ABOITIZ Director Member – Board Audit Committee – Board Corporate Governance Committee	Mr. Roberto E. Aboitiz, 67 years old, Filipino, has served as a director of AEV since May 9, 1994, and has been a member of the Board Audit Committee since 2006 and the Board Corporate Governance Committee since May 17, 2010. He served as Chairman of AEV from 2005 until December 2008. He is the Vice Chairman of ACO; the Chairman and President of RAFI; and a trustee and the Vice-President of West Cebu Foundation, Inc. (WCFI). Mr. Aboitiz is also the Chairman of Sacred Heart School - Ateneo de Cebu and Co-Chairman of the Metro Cebu Development and Coordinating Board. He was a director of City Savings Bank, Inc. (CitySavings) from 1992 up to March 2013. He graduated from the Ateneo de Manila University with a Bachelor of Arts degree in Behavioral Science. Mr. Aboitiz was conferred Doctor of Humanities (Honoris Causa) and Doctor of Science in Business Management (Honoris Causa) by the University of San Jose-Recoletos. He was a recipient of the Perlas Award for Valuable Leader in Youth and Community Development. In 2009, he was conferred the Royal Decoration of the Knighthood in the Order of Nassau by Her Majesty Queen Beatrix of the Netherlands, in recognition of his remarkable achievements and activities for the good of society. He is not connected with any government agency or instrumentality. He is not a director of any other publicly listed company.
JUSTO A. ORTIZ Director Member – Board Audit Committee – Board Risk and Reputation Management Committee	Mr. Justo A. Ortiz, 59 years old, Filipino, has served as a director of AEV since 1994. He has been a member of the Board Audit Committee since 2006 and the Board Risk and Reputation Management Committee since February 11, 2009. He is also the Chairman and Chief Executive Officer of UnionBank, a publicly listed company. Mr. Ortiz is a director of the Bankers Association of the Philippines; and a member of Philippine Trade Foundation, Inc. and World Presidents Organization. Prior to his stint in UnionBank, he was the Managing Partner for Global

	Finance and the Country Executive for Investment Banking at Citibank N.A. He graduated magna cum laude with a Bachelor's Degree in Economics from the Ateneo de Manila University. He is not connected with any government agency or instrumentality.
ANTONIO R. MORAZA Director	Mr. Antonio R. Moraza, 60 years old, Filipino, has been a director of AEV since May 18, 2009. He is currently a director and the President and Chief Operating Officer of AboitizPower, a publicly listed company. He is also the Chairman of the Board of Directors of Pilmico, PANC, Therma Visayas, Inc. (TVI), Therma Luzon, Inc. (TLI), Luzon Hydro Corporation (LHC), Hedcor, Inc. (Hedcor), Hedcor Tudaya, Inc. (Hedcor Tudaya), Hedcor Sibulan, Inc. (Hedcor Sibulan), Hedcor Sabangan, Inc. (Hedcor Sabangan), Hedcor Bukidnon, Inc. (Hedcor Bukidnon), Cebu Private Power Corporation (CPPC), APRI, Cotabato Light, Davao Light, Pagbilao Energy Corporation (PEC), Aseagas Corporation (Aseagas) and Aboitiz Power Distributed Energy, Inc. (APX). He is the Vice Chairman of Cebu Energy Development Corporation (Cebu Energy); a director and the Senior Vice President of ACO; the President and Chief Executive Officer of Abovant and ARI; and a director of SN Aboitiz Power-Benguet, SN Aboitiz Power-Magat, Southern Philippines Power Corporation (SPPC), STEAG State Power, Inc. (STEAG Power), Western Mindanao Power Corporation (WMPC), Redondo Peninsula Energy, Inc. (RP Energy), Therma Marine, Inc. (TMI), Therma Mobile, Inc. (TMO) and Aboitiz InfraCapital. Mr. Moraza holds directorship and management positions in GNPower-Mariveles Coal Plant Ltd. Co. and GNPower Dinginin Ltd. Co., and their holding companies. He is also a director and the President of TPI; and a trustee of Aboitiz Foundation. He holds a Bachelor's Degree in Business Management from the Ateneo de Manila University. He is not connected with any government agency or instrumentality.
JOSE C. VITUG Independent Director Chairman – Board Audit Committee Member – Board Corporate Governance Committee – Board Risk and Reputation Management Committee	Justice Jose C. Vitug (ret.), 82 years old, Filipino, has served as an Independent Director of AEV since May 16, 2005. He is Chairman of the Board Audit Committee of AEV since May 18, 2009, member of the Board Corporate Governance Committee since February 11, 2009, and of the Board Risk and Reputation Management Committee since May 18, 2015. Justice Vitug is an Independent Director of ABS- CBN Holdings Corporation, a publicly listed company. He is also a Board Member and Law Dean of the Angeles University Foundation, Chairman of the Board of Trustees of Angeles University Foundation Medical Center and a Graduate Professor of the College of Law of San Beda College. Justice Vitug was formerly an Associate Justice of the Supreme Court, Chairman of the House of Representatives Electoral Tribunal, and Senior Member of the Senate Electoral Tribunal. He was also the Chairman of the Philippines Stock Exchange, Inc. Justice Vitug is a Professorial Lecturer of the Philippine Judicial Academy. He graduated cum laude from the Manuel L. Quezon University (MLQU) with a Bachelor's Degree in Law. He holds a Master of Laws degree from the MLQU and a Master's Degree in National Security Administration from the National Defense College of the Philippines. He was a Fellow of the Commonwealth Judicial Institute of Canada. He also holds an Honorary Doctorate Degree of Law from the Angeles University Foundation. He is not an employee or officer of any government agency, instrumentality or government-owned and controlled organization.

RAPHAEL P. M. LOTILLA Independent Director Member – Board Audit Committee – Board Corporate Governance Committee – Board Risk and Reputation Management Committee	Mr. Raphael P.M. Lotilla, 58 years old, Filipino, has served as an Independent Director of AEV since May 21, 2012. He has been a member of the Board Audit Committee and the Board Corporate Governance Committee since May 21, 2012, and the Board Risk and Reputation Management Committee since May 18, 2015. He is an Independent Director of Trans Asia Petroleum Corporation and First Metro Investment, Inc., both publicly listed companies. He is an Independent Director of Petron Foundation, Inc., and the Chairman of the Board of Trustees of the Center for the Advancement of Trade Integration and Facilitation and Asia-Pacific Pathways to Progress Foundation, Inc. Mr. Lotilla has previously served the Philippine government in various capacities - Secretary of Energy; President and Chief Executive Officer of Power Sector Assets and Liabilities Management Corporation (PSALM); Deputy Director- General of the National Economic and Development Authority; Ex-Officio Chairman of the Philippines National Oil Company; Vice Chairman of the Boards of the National Power Corporation and the National Transmission Corporation, among others. Mr. Lotilla earned his Bachelor of Science in Psychology and Bachelor of Arts in History degrees from the University of the Philippines, and finished his Bachelor of Laws degree from the same university where he became a Professor of Law. He holds a Master of Laws degree from the University of Michigan Law School, U.S.A. He currently serves as a member of the Board of Trustees of the Philippine Institute for Development Studies.
STEPHEN T. CuUNJIENG Independent Director Member – Board Audit Committee – Board Corporate Governance Committee – Board Risk and Reputation Management Committee	Mr. Stephen T. CuUnjieng, 58 years old, Filipino, has served as Independent Director of AEV since May 17, 2010. He has been a member of the Board Audit Committee of AEV since May 16, 2011, the Board Corporate Governance Committee since May 21, 2012, and the Board Risk and Reputation Management Committee since May 17, 2010. He has a long and extensive experience in investment banking with a number of major international investment banks. He has led several high profile transactions in the Philippines and Asia and won 12 Deals of the Year awards since 2005. He is currently Chairman for Asia of Evercore, an investment bank listed with the New York Stock Exchange (NYSE). He holds the following positions in publicly listed companies: Adviser to the Board of SM Investments Corporation; and Independent Director of Century Properties Group. Mr. CuUnjieng is on the Executive Board for Asia of the Wharton School of Business of the University of Pennsylvania in Philadelphia, PA, USA. He held positions as Vice Chairman, Managing Director and Director of Macquarie, a company listed with the Australian Securities Exchange, Merrill Lynch, a company listed with the New York Stock Exchange (NYSE), and Salomon Brothers, among others. He graduated from the Ateneo de Manila University with a Degree in Bachelor of Arts and also has a Bachelor's Degree in Law (with honors) from the Ateneo Law School. He has a Master's Degree in Business Administration from the Wharton School of the University of Pennsylvania, U.S.A. He is not connected with any government agency or instrumentality.

Nominations for Independent Directors and Procedure for Nomination

The procedure for the nomination and election of the Independent Directors is in accordance with Rule 38 of the Securities Regulation Code (SRC Rule 38), AEV's Amended By-Laws and AEV's Guidelines. On July 29, 2009, AEV initially adopted and incorporated the provisions of SRC Rule 38 in its Amended By-Laws. The Guidelines were approved by the AEV Board on February 10, 2003 and disclosed to all stockholders.

Nominations for Independent Directors were opened beginning January 1, 2017, in accordance with Section 2 of the Guidelines, and the table for nominations was closed on February 15, 2017, in accordance with Section 3 of the Guidelines.

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

In approving the nominations for Independent Directors, the Board Corporate Governance Committee considered the guidelines on the nominations of Independent Directors prescribed in SRC Rule 38, the Guidelines and AEV's Revised Manual on Corporate Governance. The Board Corporate Governance Committee took over the functions of the Board Nominations and Compensation Committee pursuant to an amendment in the Company's Manual on Corporate Governance in 2009. The Chairman of the Board Corporate Governance Committee is Mr. Jon Ramon Aboitiz. The voting members are Messrs. Roberto E. Aboitiz, Raphael P.M. Lotilla, Stephen T. CuUnjieng and Ret. Justice Jose C. Vitug, while the ex-officio non-voting members are M. Jasmine S. Oporto and Mr. Xavier Jose Aboitiz.

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

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

AEV stockholders, Viva Canares, Maria Sandalo and Demosthenes Momo, have nominated Ret. Justice Jose C. Vitug, Mr. Stephen T. CuUnjieng and Mr. Raphael P.M. Lotilla, respectively, as the Company’s Independent Directors. None of the nominating stockholders have any relation to Ret. Justice Vitug, to Mr. CuUnjieng and to Mr. Lotilla.

Other Nominees for Election as Members of the Board of Directors

As conveyed to the Corporate Secretary, the following will also be nominated as members of the Board for the ensuing year 2017-2018:

Jon Ramon Aboitiz
Erramon I. Aboitiz
Roberto E. Aboitiz
Enrique M. Aboitiz
Justo A. Ortiz
Antonio R. Moraza

Pursuant to Paragraph 4, Section 1, Article II of the Amended By-Laws of AEV, nominations for members of the Board other than Independent Directors for the ensuing year must be submitted in writing to the Corporate Secretary at least 15 working days prior to the regular Annual Stockholders’ Meeting on May 15, 2017.

All other information regarding the positions and offices held by the above-mentioned nominees are integrated in Item 5 (a) (1) above.

Officers for 2016–2017

Below is a list of AEV officers for 2016 – 2017 with their corresponding positions and offices held for the past five years. Unless otherwise indicated hereunder, the officers assumed their positions during AEV's organizational meeting in 2016 for a term of one year.

JON RAMON ABOITIZ Chairman – Board of Directors Chairman – Board Corporate Governance Committee Member – Board Risk and Reputation Management Committee	Mr. Jon Ramon Aboitiz, 68 years old, Filipino, has served as Chairman of the Board of Directors of AEV since January 5, 2009. He has been the Chairman of the Board Corporate Governance Committee since February 11, 2009 and has been a member of the Board Risk and Reputation Management Committee since May 17, 2010. Mr. Aboitiz was President/Chief Executive Officer of AEV since 1994 until his retirement in December 2008. He began his career with the Aboitiz Group in 1970. From manager of Aboitiz Shipping Corporation, Mr. Aboitiz was promoted to President in 1976. He headed the Aboitiz Group's power business in 1989 and was President of ACO from 1991 to 2008. He is currently Chairman of the Board of Directors of ACO. He holds the following positions in publicly listed companies: Vice Chairman of AboitizPower and UnionBank; and a director of Bloomberry and ICTSI. He is the Chairman of UnionBank's Executive Committee, Risk Management Committee and the Vice Chairman of its Corporate Governance Committee, including the latter's Compensation Remuneration and Nomination Sub-Committees. He is a trustee and the Vice President of RAFI; a trustee of the PBSP and the Association of Foundations; and a member of the Board of Advisors of The Coca- Cola Export Corporation (Philippines) and Pilipinas Kao, Inc. Mr. Aboitiz holds a Bachelor of Science degree in Commerce, Major in Management from the Santa Clara University, California, U.S.A. He is not connected with any government agency or instrumentality.
ERRAMON I. ABOITIZ Director President & Chief Executive Officer Member – Board Risk and Reputation Management Committee	Mr. Erramon I. Aboitiz, 60 years old, Filipino, has served as President & Chief Executive Officer of AEV since January 5, 2009. He has been a director of AEV since May 9, 1994 and a member of the Board Risk and Reputation Management Committee since May 18, 2015. Mr. Aboitiz was the Executive Vice President and Chief Operating Officer of AEV from 1994 to December 2008. He is a director and the Chief Executive Officer of AboitizPower, and a director of UnionBank, both publicy listed companies. He is also a director and the President and Chief Executive Officer of ACO; the Chairman of the Board of Directors of Aboitiz InfraCapital, SFELAPCO, SEZ, SN Aboitiz Power-Magat, SN Aboitiz Power-Benguet, MORE, ARI, TPI, Aboitiz Land, CRH Aboitiz Holdings, Abovant, BEZ, and LEZ and Vice Chairman of RCBM. He is a Director of Davao Light, Cotabato Light, TSI, Apo Agua, APRI, Pilmico, PANC, PETNET, Archipelago Insurance, AEV International, and AboitizPower International. He is also the Chairman of the Board of Trustees of Aboitiz Foundation, and is a director of the Philippine Disaster Recovery Foundation. He holds a Bachelor of Science degree in Business Administration, Major in Accounting and Finance, from Gonzaga University, Spokane, Washington, U.S.A. He is not connected with any government agency or instrumentality.

SABIN M. ABOITIZ Executive Vice President – Chief Operating Officer	Mr. Sabin M. Aboitiz, 52 years old, Filipino, was appointed as Executive Vice President - Chief Operating Officer of AEV on December 18, 2015. He was First Vice President of AEV from May 2014 to May 2015 and Senior Vice President from May to December 2015. He is a Board Adviser of ACO and a trustee of Aboitiz Foundation. He is the Chairman of Weather Philippines Foundation, Inc. (WeatherPhilippines) and Filagri, Inc. (Filagri). He is also Chairman and President of AEV Aviation, Inc. (AEV Av); and a director and President/Chief Executive Officer of PANC and Pilmico. Mr. Aboitiz is also a director of UnionBank, a publicly listed company, RCBM, MORE, APRI, Apo Agua, CRH Aboitiz, and PETNET; a director and President of Aboitiz InfraCapital, Aseagas, and AEV CRH; and Vice Chairman of AboitizLand. He holds a degree in Business Administration - Finance from Gonzaga University, Spokane, U.S.A. He is not connected with any government agency or instrumentality.
MANUEL R. LOZANO Senior Vice President/ Chief Financial Officer/ Corporate Information Officer Ex-Officio Member — Board Risk and Reputation Management Committee	Mr. Manuel R. Lozano, 46 years old, Filipino, has been Senior Vice President/Chief Financial Officer/Chief Information Officer of AEV since May 18, 2015. He is also an Ex-Officio Member of the Board Risk and Reputation Management Committee since May 18, 2015. Mr. Lozano was First Vice President/Chief Financial Officer/Corporate Information Officer of AboitizPower from 2014 to 2015. He was the Chief Financial Officer of the Power Generation Group of AboitizPower from 2009 up to 2013. Mr. Lozano is currently a trustee and Treasurer of Aboitiz Foundation; Treasurer of Metaphil International, Inc. (MII) and Aboitiz Construction, Inc. (ACI); a director and Treasurer/Chief Financial Officer of Aboitiz InfraCapital; a director and Vice President of AEV Aviation; a director of AEV CRH, Archipelago Insurance, AEV International, PANC, Pilmico and RCBM, and an Alternate Director of Pilmico International, Inc. (Pilmico International). Before he joined the Aboitiz Group, he was the Chief Financial Officer and a director of Paxys, Inc., a publicly listed company focused on the Business Process Outsourcing (BPO) industry and other IT-related sectors within the Asia Pacific region. He was also a director of Corporate Finance & Investment at NGL Pacific Ltd., a Regional Operating Headquarter related to the Usaha Tegas group of Malaysia. Mr. Lozano has a wide range of experience working in several financial institutions. He earned his Bachelor of Science in Business Administration degree from the University of the Philippines - Diliman and his Master's Degree in Business Administration from The Wharton School of the University of Pennsylvania, U.S.A. He is not connected with any government agency or instrumentality. He is not a director of any publicly listed company.

JUAN ANTONIO E. BERNAD Senior Vice President	Mr. Juan Antonio E. Bernad, 60 years old, Filipino, has been Senior Vice President of AEV since April, 6, 1995. He was AEV's Senior Vice President - Electricity Regulatory Affairs from 2004 to 2007 and Senior Vice President - Chief Financial Officer from 1995 to 2004. He is Executive Vice President for Strategy and Regulation of AboitizPower, a publicly listed company, since 2009, and has served AboitizPower in several capacities, as a director from 1998 to May 18, 2009, as Executive Vice President/Chief Financial Officer/Treasurer from 1998 to 2003, and as Executive Vice President for Regulatory Affairs/Chief Financial Officer from 2004 to 2007. Mr. Bernad is also a director and Executive Vice President - Regulatory Affairs of Davao Light; a director and Senior Vice President of Visayan Electric Company, Inc. (VECO); and a director of Cotabato Light, AEV Av, SFELAPCO and UnionBank, a publicly listed company. He has an Economics degree from the Ateneo de Manila University and a Master's Degree in Business Administration from The Wharton School of the University of Pennsylvania in Pennsylvania, U.S.A. He is not connected with any government agency or instrumentality.
XAVIER JOSE ABOITIZ Senior Vice President – Chief Human Resources Officer Ex-Officio Member – Board Corporate Governance Committee	Mr. Xavier Jose Aboitiz, 57 years old, Filipino, has been Senior Vice President – Chief Human Resources Officer of AEV since May 17, 2004. He is an Ex-Officio Member of the Board Corporate Governance Committee since May 17, 2010. Mr. Aboitiz is also Senior Vice President and a member of the Board of Advisers of ACO; a director of Pilmico, Davao Light, Cotabato Light, Propriedad del Norte, Inc. (PDNI) and SEZ; a director, President and Chief Executive Officer of Cebu Praedia Development Corporation (CPDC), and a trustee of Aboitiz Foundation. He was a director of CitySavings from 2010 up to March 2013. Mr. Aboitiz has worked in various capacities in different companies of the Aboitiz Group since 1983. He took up Business Administration – Finance at Gonzaga University, Spokane, U.S.A. He is not connected with any government agency or instrumentality. He is not a director of any publicly listed company.
GABRIEL T. MAÑALAC Senior Vice President – Group Treasurer	Mr. Gabriel T. Mañalac, 60 years old, Filipino, has been Senior Vice President – Group Treasurer of AEV since January 5, 2009. He joined AEV as Vice President for Treasury Services in 1998 and was promoted to First Vice President for Treasury Services in 2004. He is Senior Vice President – Group Treasurer of AboitizPower, a publicly listed company, since May 17, 2010. He is also Vice President and Treasurer of Davao Light, and Treasurer of Cotabato Light. Mr. Mañalac graduated cum laude with a Bachelor of Science degree in Finance and a Bachelor of Arts in Economics degree from De La Salle University. He obtained his Master's Degree in Business Administration in Banking and Finance from the Asian Institute of Management and was awarded the Institute's Scholarship for Merit. He is not connected with any government agency or instrumentality. He is not a director of any publicly listed company.

SUSAN V. VALDEZ Senior Vice President — Chief Corporate Services Officer Ex-Officio Member — Board Risk and Reputation Management Committee	Ms. Susan Valdez, 56 years old, Filipino, was appointed Chief Corporate Services Officer of AEV on December 18, 2015. She was AEV's Senior Vice President – Chief Reputation and Risk Management Officer from 2013 to 2015. She is an Ex-Officio member of the Board Risk and Reputation Management Committee since May 21, 2012. Ms. Valdez was First Vice President – Chief Reputation Officer of AEV in September 2011. She is the Senior Vice President/Chief Reputation and Risk Management Officer of AboitizPower, a publicly listed company, since December 14, 2011, and was appointed as Senior Vice President on May 18, 2015. Ms. Valdez is also a trustee, President and Member of the Executive Committee of Aboitiz Foundation; a trustee and President of WeatherPhilippines; and a director of Archipelago Insurance. Before joining AEV, she was the Executive Vice President and Chief Executive Officer of the 2GO Freight Division of Aboitiz Transport System Corporation (ATSC) (now 2GO Group, Inc., a publicly listed company) for eight years. She was also President and Chief Executive Officer of Aboitiz One, Inc. (now ATS Express, Inc.) and Aboitiz One Distribution, Inc. (now ATS Distribution, Inc.) for two years. Prior to heading the freight and supply chain business of ATSC, she was its Chief Finance Officer and Chief Information Officer for eight years. Ms. Valdez is a Certified Public Accountant, and graduated cum laude from St. Theresa's College with a degree of Bachelor of Science in Commerce, Major in Accounting. She earned her Master's degree in Business Management from the University of the Philippines, and completed a program on Management Development at Harvard Business School. She is not connected with any government agency or instrumentality. She is not a director of any publicly listed company.
M. JASMINE S. OPORTO Senior Vice President - Chief Compliance Officer/Corporate Secretary Ex-Officio Member - Board Corporate Governance Committee	Ms. M. Jasmine S. Oporto, 57 years old, Filipino, is Senior Vice President - Chief Compliance Officer/ Corporate Secretary. She has acted as the Corporate Secretary of AEV since May 17, 2004 and of AboitizPower, a publicly listed company, since January 16, 2007. She is concurrently the Chief Compliance Officer of AEV and AboitizPower since her appointment in November 2005 and January 2007, respectively. She is also an Ex-Officio member of the Board Corporate Governance Committee since February 11, 2009. Ms. Oporto is the Vice President for Legal Affairs of Davao Light; Corporate Secretary of Hijos de F. Escaño, Inc. (Hijos) and Aboitiz InfraCapital; and Assistant Corporate Secretary of VECO. Prior to joining AEV, she worked in various capacities at the Hong Kong office of Kelley Drye & Warren, LLP, a New York-based law firm, and the Singapore-based consulting firm Albi Consulting Pte. Ltd. She graduated magna cum laude with a degree in Bachelor of Science in Landscape Architecture and obtained her Bachelor of Laws degree from the University of the Philippines - Diliman. She is a member of both the Philippine and New York State bars. Ms. Oporto is a teaching fellow of the Institute of Corporate Directors (ICD), after completing the Professional Director's Program conducted by ICD. She is a member of GRC Institute of Australia and is involved in governance and compliance work within the organization. She has completed the mandatory accreditation course of the Bangko Sentral ng Pilipinas on Corporate Governance and Risk Management for Board of Trustees/ Directors, and is an accredited provider of Harrison Assessment Talent Solutions. In addition, she has attended various seminars on corporate governance and compliance, including Compliance and Regulatory Management, Scenario Planning for Strategy, Management of Legal

	Risk and Services, and the Corporate Secretary Training of Trainers Program conducted by the International Finance Corporation and the ICD. Ms. Oporto was awarded Corporate Secretary of the Year in 2014 and 2015 by Corporate Governance Asia, Hong Kong. She is not connected with any government agency or instrumentality. She is not a director of any publicly listed company.
ROBERT McGREGOR Senior Vice President – Chief Strategy and Investment Officer	Mr. Robert McGregor, 57 years old, British, is Senior Vice President - Chief Strategy and Investment Officer (CSIO) of AEV since November 27, 2014. He is concurrently Executive Director - Investments of AboitizPower, a publicly listed company, since September 24, 2015 and a director of PETNET. He joined AEV as Senior Vice President - Chief Strategy Officer in May 2014 before his appointment as CSIO in November 2014. Mr. McGregor brings with him a wealth of experience in management, investment banking and private equity investing with almost 37 years of experience in energy markets. He has extensive experience in corporate strategy, marketing and business planning in oil, gas and electricity industries in the United Kingdom. He moved to Hong Kong in 1997 and enjoyed an 11-year career in regional investment banking, before moving to Singapore to take up partnership in Actis, an emerging-market private equity company. In 2012, he returned to Hong Kong with Hongkong and Shanghai Banking Corporation Limited as an investment banker. Mr. McGregor completed his Honours Degree in Applied Chemistry from The University of Strathclyde, United Kingdom and obtained his Master's Degree in Business Administration from the same university. He is not connected with any government agency or instrumentality. He is not a director of any publicly listed company.
LUIS MIGUEL O. ABOITIZ Senior Vice President	Mr. Luis Miguel O. Aboitiz, 52 years old, Filipino, was appointed Senior Vice President of AEV on May 18, 2015. He was First Vice President of AEV from 2004 to May 2015. He joined AEV in 1995 as Vice President. Since January 2016, he has been the Executive Vice President/Chief Operating Officer - Corporate Business Group of AboitizPower, a publicly listed company. He previously served as AboitizPower's Senior Vice President - Power Marketing and Trading from 2009 to 2015. Mr. Aboitiz is currently a director and First Vice President of ACO; a trustee of Aboitiz Foundation; a director of STEAG Power, ARI, TPI, Pilmico, PANC, MORE, TSI, TLI, TVI, APRI, PEC, CPDC, MORE, Aseagas, and Aboitiz InfraCapital. Mr. Aboitiz holds directorship and management positions in GNPower-Mariveles and GNPower-Dinginin and its holding companies. He is also a director of UnionBank, a publicly listed company. He graduated from Santa Clara University, California, U.S.A. with a Bachelor of Science degree in Computer Science and Engineering and took his Masters degree in Business Administration at the University of California in Berkeley, U.S.A. He is not connected with any government agency or instrumentality.

HORACIO C. ELICANO First Vice President - Chief Technology Officer	Mr. Horacio C. Elicano, 57 years old, Filipino, has been First Vice President - Chief Technology Officer of AEV since January 5, 2009. Before he joined AEV, he was Managing Director of Catapult Communications. He was also Chief Technology Officer of Paysetter International, Inc. from 2001 to 2007 and of Chikka Asia, Inc. from 2001 to 2005. Prior to that, he logged 20 years in the banking industry with Citibank and UnionBank. He is a Bachelor of Science in Electrical Engineering graduate of the University of the Philippines. He is not connected with any government agency or instrumentality. He is not a director of any publicly listed company.
MELINDA R. BATHAN First Vice President - Controller	Ms. Melinda R. Bathan, 57 years old, Filipino, has been First Vice President - Controller of AEV since May 21, 2012. She was previously AEV's Vice President - Controller from 2004 until 2012. She is a director and Treasurer of CPDC. Ms. Bathan graduated summa cum laude from St. Theresa's College with a Bachelor of Science degree in Commerce, major in Accounting, and is a Certified Public Accountant. She completed her Master's Degree in Management, with honors, from the University of the Philippines. She is not connected with any government agency or instrumentality. She is not a director of any publicly listed company.
NARCISA S. LIM First Vice President - Human Resources and Quality	Ms. Narcisa S. Lim, 53 years old, Filipino, has been First Vice President - Human Resources and Quality of AEV since May 21, 2012. She was Vice President for Human Resources and Quality of AEV from 2008 to 2012. She holds a degree in International Studies from Maryknoll College. She is not connected with any government agency or instrumentality. She is not a director of any publicly listed company.
ANNACEL A. NATIVIDAD First Vice President – Chief Risk Officer	Ms. Annacel A. Natividad, 47 years old, has been First Vice President – Chief Risk Officer of AEV since July 1, 2016. She was Vice President - Risk Management of AEV since July 2013. Before joining AEV, Ms. Natividad was with ATSC (now 2GO Group, Inc., a publicly listed company) where she was Vice President - Chief Finance Officer and Risk Management Head since June 2007. She was concurrently the Chief Finance Officer of Scanasia Overseas, Inc., Kerry-ATS Logistics, Inc., Hapag- Lloyd Philippines, Inc., Aboitiz Project TS Corporation and Sea Merchants, Inc. Ms. Natividad holds a Bachelor of Science in Commerce degree from the University of Santo Tomas and earned her Master's degree in Business Administration from De La Salle University. Ms. Natividad has also completed the Management Acceleration Program from Institut Européen d'Administration des Affaires (INSEAD). She is not connected with any government agency or instrumentality. She is not a director of any publicly listed company.
MANUEL ALBERTO R. COLAYCO First Vice President – Chief Legal Officer	Mr. Manuel Alberto R. Colayco, 47 years old, Filipino, has been First Vice President – Chief Legal Officer of AEV since July 11, 2016. Mr. Colayco has practice in the areas of corporate law, mergers and acquisitions, joint ventures, securities regulation, corporate and financial restructuring, and litigation. Prior to joining AEV, he acted as independent legal consultant providing professional advice, representation, and transactional assistance to private companies and individuals. His previous work experience includes: General Counsel for AGP International Holdings Ltd. and Atlantic, Gulf & Pacific Company of Manila, Inc. from August 2013 to December 2014; Executive Director and Assistant General Counsel of J.P. Morgan

	Chase Bank N.A. from July 2010 to August 2013; and Vice President and Legal Counsel of DKR Oasis (Hong Kong) LLC, a private investment management firm, from August 2007 until March 2010. He was an Associate at Skadden, Arps, Slate, Meagher & Flom, LLP from 2000 to 2007 and at Romulo Mabanta Buenaventura Sayoc & De Los Angeles from 1996 to 2000. Mr. Colayco earned his undergraduate and his Juris Doctor degrees from the Ateneo de Manila University. Mr. Colayco also has a Master of Laws degree from the New York University School of Law, U.S.A. He is not connected with any government agency or instrumentality. He is also not a director of any publicly listed company.
JOJO S. GUINGAO First Vice President – Digital Management	Mr. Jojo S. Guingao, 51 years old, Filipino, has been First Vice President – Digital Management of AEV since July 18, 2016. He has over twenty years of experience in areas involving building innovative and profitable IT service teams for various software companies. Mr. Guingao has experience in software development, IT consulting and strategy, enterprise implementation, project management and global service delivery. Before joining AEV, Mr. Guingao was Vice President of Customer Success at Navagis, Inc. He also held senior management positions in various global software companies, including Critigen, Environmental Systems Research Institute and Autodesk, Inc. Mr. Guingao graduated from Mapua Institute of Technology with a Bachelor's Degree in Electronics and Communications Engineering. He completed his Master's Degree in Business Administration from the California State University - East Bay. He is not connected with any government agency or instrumentality. He is also not a director of any publicly listed company.
DAVID JUDE L. STA. ANA First Vice President – Government Relations	Mr. David Jude L. Sta. Ana, 50 years old, Filipino, has been First Vice President – Government Relations of AEV since September 1, 2016. Mr. Sta. Ana has experience in broadcast, digital and print media, with focus on major news coverage, crisis management, planning and operations. Prior to joining AEV, he was the Head for News Operations of TV5 Network Inc., where he handled the day to day operations of the Philippines' third largest television network, including news gathering and content generation for its television, radio and digital platforms. Mr. Sta. Ana also served as news director handling the control, operational and administrative responsibilities for news gathering for two of the country's major broadcast organizations, namely ABS-CBN Broadcasting Corporation and GMA Network, Inc., a publicly listed company. Mr. Sta Ana earned his Bachelor's Degree in Journalism from the University of the Philippines – Diliman. He also completed the Newsroom Operation and Newsroom Management Training conducted by the U.S. Radio and Television News Directors Association in Los Angeles, California, U.S.A. He is not connected with any government agency or instrumentality. He is also not a director of any publicly listed company.

MAILENE M. DE LA TORRE Senior Associate General Counsel for Governance & Compliance/Assistant Corporate Secretary	Ms. Mailene M. de la Torre, 35 years old, Filipino, was appointed as Assistant Corporate Secretary of AEV on November 24, 2016. Ms. de la Torre is also Senior Associate General Counsel for Governance & Compliance since November 2016, and previously, an Associate General Counsel for Legal and Corporate Services from May 2010 to October 2014. She is also the Assistant Corporate Secretary of AboitizPower, a publicly listed company. Ms. de la Torre is also the Corporate Secretary of various AEV subsidiaries: APRI, EAUC, BEZ, LEZ, MEZ, SEZ, PEC, PETNET, TMI, TMO, TSI, TLI, TPI and TVI; as well as the Assistant Corporate Secretary of Aboitiz InfraCapital, AboitizLand, Cotabato Light, Davao Light, MORE, SN Aboitiz Power-Benguet, SN Aboitiz Power-Magat, and VECO. Ms. de la Torre has practice in the areas of compliance and corporate governance, securities and corporation law, acquisitions, joint ventures, and litigation. Prior to joining the Aboitiz Group, she was an Associate at the Esguerra & Blanco Law Office from 2007 to 2010. She earned her Bachelor's Degree in Political Science, cum laude, and her Bachelor of Laws from the University of the Philippines – Diliman. She is a graduate member of ICD after completing its Professional Director's Program. She is not connected with any government agency or instrumentality. She is also not a director of any publicly listed company.

Period in which the Directors Should Serve

The directors shall serve for a period of one year.

Term of Office of a Director

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

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

(2) Significant Employees

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

(3) Family Relationships

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

(4) Involvement in Certain Legal Proceedings as of March 31, 2017

To the knowledge and/or information of AEV, none of its nominees for election as directors, its current members of the Board or its executive officers is presently involved in any legal proceeding or bankruptcy petition or has been convicted by final judgment, or being subject to any order, judgment or decree, or has violated the securities or commodities law in any court or government agency in the Philippines or elsewhere for the past five years until March 31, 2017, which would put to question his/her ability and integrity to serve AEV and its stockholders.

(5) Certain Relationships and Related Transactions

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

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

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

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

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

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

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

The above related party transactions are discussed extensively in the Note 34 of the Company's 2016 consolidated financial statements.

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

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

(6) Parent Company

The parent and the ultimate parent of the company is Aboitiz & Company, Inc. (ACO). As of March 31, 2017, ACO owns 48.56% of the voting shares of AEV.

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

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

Item 6. Compensation of Directors and Executive Officers

(a) Summary of Compensation of Executive Officers

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

Name of Officer and Principal Position	Year	Salary	Bonus	Other Compensation
CHIEF EXECUTIVE OFFICER AND FOUR MOST HIGHLY COMPENSATED OFFICERS **1. ERRAMON I. ABOITIZ** - President & Chief Executive Officer **2. STEPHEN G. PARADIES*** - Senior Vice President Chief – Financial Officer **3. XAVIER JOSE ABOITIZ** - Senior Vice President - Chief Human Resources Officer **4. ROBERT MCGREGOR**** - Senior Vice President - Chief Strategy and Investment Officer **5. LUIS MIGUEL O. ABOITIZ** - Senior Vice President **6. SUSAN V. VALDEZ** - Senior Vice President – Chief Corporate Services Officer				
All above named officers as a group	**Actual 2016**	**₱125,975,000.00**	**₱11,945,000.00**	**₱11,259,050.00**
	Actual 2015***	₱114,086,880.00	₱11,699,480.00	₱11,272,519.00
	Projected 2017	₱138,572,500.00	₱13,139,500.00	₱12,384,955.00
All other directors and officers as a group unnamed	**Actual 2016**	**₱86,683,908.00**	**₱9,403,918.00**	**₱52,045,653.00**
	Actual 2015	₱74,917,498.00	₱8,069,546.00	₱31,576,704.00
	Projected 2017	₱95,352,299.00	₱10,344,310.00	₱57,250,219.00

** Retired in May 2015*
*** Qualified as one of the five most highly compensated officers starting 2015*
**** The five most highly compensated officers in 2015 are Messrs. Stephen G. Paradies, Xavier Jose Aboitiz, Robert McGregor, Luis Miguel O. Aboitiz, and Ms. Susan V. Valdez.*

The 2014 Amended By-Laws of the Company as approved by the SEC on May 15, 2014 defined corporate officers as follows: the Chairman of the Board, the Vice Chairman, the Chief Executive Officer, Chief Operating Officer(s), the Treasurer, the Corporate Secretary, the Assistant Corporate Secretary, and such other officers as may be appointed by the Board of Directors. For the year 2016, the Company's Summary of Executive Compensation covers the compensation of officers as reported under Item 5 (a)(1) of this Information Statement.

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

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

(b) Compensation of Directors

(1) Standard Arrangements

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

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

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

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

(2) Other Arrangements

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

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

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

(d) Warrants and Options Outstanding

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

Item 7. Independent Public Accountant

As a matter of policy, the Board Audit Committee (Committee) selects, monitors, and reviews the independence, performance and effectiveness, scope of work, fees, and remuneration of external auditors, in consultation with the Chief Executive Officer, the Chief Financial Officer, and the Group Internal Auditor. Where appropriate, the Committee may recommend to the Board of Directors the re-appointment or replacement of the current external auditor.

The Chairman of the Committee, Ret. Justice Jose C. Vitug, reported to the Board during the March 7, 2017 board meeting that the Committee evaluated and assessed the performance of the Company's external auditor, SyCip Gorres Velayo & Co. (SGV). Based on the results of the evaluation, the Committee advised the Board of Directors that it was satisfied with SGV's performance for the previous year and recommended SGV's re-appointment as the Company's external auditor for 2017.

The Board of Directors discussed the Committee's recommendation, and after discussion, approved the re-appointment of SGV. The Board of Directors will endorse to the shareholders the re-appointment of SGV as the Company's external auditor for 2017.

The accounting firm of SGV has been AEV's Independent Public Accountant for the last 23 years. Ms. Leovina Mae V. Chu is AEV's current audit partner, and has served as such since 2012. AEV complies with the requirements of Section 3(b) (ix) of SRC Rule 68 on the rotation of external auditors or signing partners and the two-year cooling-off period. There was no event in the past 23 years where AEV and SGV or the handling partner had any disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosure or auditing scope or procedure.

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

The Chairman of the Committee is Ret. Justice Jose C. Vitug, an Independent Director. The members are Messrs. Raphael P.M. Lotilla and Stephen T. CuUnjieng, Independent Directors, and Messrs. Roberto E. Aboitiz and Justo A. Ortiz, directors of AEV.

Item 8. Compensation Plans

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

C. ISSUANCE AND EXCHANGE OF SECURITIES

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

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

Recent Issuance of Registered Debt Securities

(a) Ten Billion Fixed Rate Retail Bonds issued last November 2013

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

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

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

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

(b) Twenty Five Billion Fixed Rate Retail Bonds issued last July 2015

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

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

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

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

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

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

Use of Proceeds

AEV received the aggregate amounts of ₱8 bn and ₱24 bn as proceeds from the said debt raising exercises, following the offers and sales of the retail bonds in 2013 and 2015, respectively. The proceeds of the bond issuances have been fully utilized as of December 31, 2016. Below are the breakdown of the use of proceeds:

₱8 bn Retail Bonds (2013)

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

₱24 bn Retail Bonds (2015)

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

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

Item 10. Modification or Exchange of Securities

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

Item 11. Financial and Other Information

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

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

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

Item 13. Acquisition or Disposition of Property

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

Item 14. Restatement of Accounts

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

D. OTHER MATTERS

Item 15. Action with Respect to Reports

(a) Approval of the Minutes of the 2016 Annual Meeting of Stockholders dated May 16, 2016 (A summary of the Minutes is attached as Annex "C".);

(b) Approval of the 2016 Annual Report of Management and Financial Statements of the Company; and

(c) General ratification of the acts of the Board and the Management from the date of the last Annual Stockholders' Meeting up to May 15, 2017. These acts are covered by resolutions of the Board duly adopted during the normal course of trade or business of the Company.

Item 16. Matters Not Required to be Submitted

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

Ratification of the acts of the Board, corporate officers and management in 2016 up to May 15, 2017 refers only to acts done in the ordinary course of business and operations of AEV, which have been duly disclosed to the SEC, the PSE and the PDEx as may be required in accordance with the applicable laws. Ratification is being sought in the interest of transparency and as a matter of customary practice or procedure, undertaken at every annual stockholders meeting of AEV.

Below is a summary of board resolutions approved during the period May 16, 2016 to March 31, 2017:

Regular Board Meeting, May 16, 2016

(a) Authority to Represent the Company during the Annual or Special Stockholders' Meeting of Investee Companies
(b) Authority to Enter into Non-Disclosure Agreements, Letters of Instruction, Memoranda of Agreement and other Preliminary Agreements involving Potential Acquisitions or Transactions
(c) Authority to Purchase, Sell or Deal in any Manner any of the Company's Motor Vehicles and to Appoint Representatives of the Company
(d) Authority to Open and Maintain a Credit Line with Makati Medical Center
(e) Authority to Infuse Additional Capital to the following Subsidiaries:
  (i) AEV Infracapital, Inc.
  (ii) Apo Agua Infrastructura, Inc.

Special Board Meeting, June 15, 2016

(a) Appointment and Promotion of Ms. Annacel A. Natividad as First Vice President – Chief Risk Officer
(b) Authority to Explore the Possibility of Selling Treasury Common Shares through Private Placement

Special Board Meeting, June 22, 2016

(a) Separation of the Offices of the Chief Legal Officer and Chief Compliance Officer
(b) Appointment of Mr. Manuel Colayco as First Vice President - Chief Legal Officer
(c) Appointment of Mr. Jojo S. Guingao as First Vice President - Digital Management

Regular Board Meeting, July 27, 2016

(a) Authority to Appoint Additional Signatories to the Accounts Maintained with Hongkong and Shanghai Banking Corporation
(b) Authority to Allow and Guarantee the Use of the Company's Credit Facilities by AEV Infracapital, Inc. with the following Banks:
  (i) BDO Unibank, Inc.
  (ii) Metropolitan Bank & Trust Company
  (iii) Bank of the Philippine Islands
  (iv) Security Bank Corporation
(c) Authority to Participate in the Bidding for the LRT Line 6 Project through the Company's Affiliates
(d) Authority to Submit the Company's Self-Monitoring Results to the Environmental Management Bureau of the Department of Environment and Natural Resources - National Capital Region
(e) Appointment of Mr. David Jude L. Sta. Ana as First Vice President - Government Relations
(f) Authority to Execute the Revised Listing Agreement with the Philippine Stock Exchange, Inc.
(g) Authority to Infuse Capital and to Subscribe to AEV InfraCapital out of the Increase in Authorized Capital Stock

Special Board Meeting, August 2, 2016

(a) Authority to Enter into a Placing Agreement for the Sale of its Treasury Shares and the Appointment of UBS AG, Hong Kong Branch as Placement Agent

Regular Board Meeting, September 22, 2016

(a) Authority to Cancel the Company's Guarantee for the Loan of its Subsidiary, Aseagas Corporation with the Development Bank of the Philippines
(b) Authority to Pledge the Company's Shares in Apo Agua Infrastructura, Inc. for Purposes of Project Financing and to Issue Equity Standby Letters of Credit
(c) Authority to Revoke the Appointment of Previous Authorized Representatives and Appoint Authorized Representatives of the Company to File Reports to the PSE, PDEx, and SEC
(d) Approval of the Company's Revised Whistleblowing Policy
(e) Authority to Accept the Management of the Retirement Fund of its Subsidiary, East Asia Utilities Corporation

Regular Board Meeting, November 24, 2016

(a) Ratification of the Appointment of Trustees to the Company's Retirement Fund
(b) Authority to Appoint Authorized Representatives of the Company to File Reports to the PSE, PDEx, and SEC
(c) Approval of the 2016 Amendments to the Annual Corporate Governance Report
(d) Authority to Appoint a System Administrator for the PSE's Edge System
(e) Appointment of Ms. Mailene M. de la Torre as Assistant Corporate Secretary
(f) Authority to Transact with the Bureau of Internal Revenue (BIR) Large Taxpayers Division Office – Cebu Branch for the Purpose of the Payments of Taxes, Applications for Tax Clearance and other Communications
(g) Authority to Open and Maintain Account(s) with Morgan Stanley
(h) Authority to Open and Maintain Account(s) with Credit Suisse Group

Regular Board Meeting, January 26, 2017

(a) Authority to Open and Maintain Account(s) with Nomura Securities

Special Board Meeting, March 7, 2017

(a) Approval of the 2016 Audited Financial Statements
(b) Setting of Record Date and Venue for the 2017 Annual Stockholders' Meeting
(c) Approval of the Declaration of Regular Cash Dividends Pursuant to the Disclosed Policy
(d) Authority to Avail of the Corporate Check Writer Facility of the Union Bank of the Philippines for the Company's 2017 Dividend Payment
(e) Authority to Enter into a Third Party Agreement with Maxicare Healthcare Corporation
(f) Authority to Revoke the Authority of Ms. Olyzza Oyangoren and to Appoint Mr. Horacio C. Elicano as the Authorized Signatory for the Company's Landline or Wireline Subscription Applications with the following Providers:
    (i) Globe Telecom, Inc. and its wholly-owned Subsidiary, Innove Communications, Inc.
    (ii) Philippine Long Distance Telephone Company and its wholly owned Subsidiary, Smart Communications Inc.
(g) Authority to Reverse a Portion of the Company's Retained Earnings Appropriated for the Funding of Additional Capital Infusions to its Subsidiaries
(h) Endorsement of SyCip Gorres Velayo & Co. as the Company's External Auditor for 2017

Regular Board Meeting, March 23, 2017

(a) Authority to Avail of the Regular Corporate Check Writer Facility of Union Bank of the Philippines
(b) Authority to Transact and Invest in Placements with Bank of Tokyo-Mitsubishi UFJ
(c) Authority to Update the Company's Authorized Signatories for the Company's Bank Accounts Maintained with Metropolitan Bank and Trust Company
(d) Approval of the Creation of the Board Related Party Transaction Committee

(e) Approval of the following Charters:
- (i) Board of Directors' Charter
- (ii) Amended Board of Corporate Governance Committee Charter
- (iii) Board Related Party Transaction Committee Charter
- (iv) Amended Board Audit Committee Charter

(f) Approval of the following Company Policies:
- (i) Revised Manual on Corporate Governance
- (ii) Revised Whistleblowing Policy
- (iii) Related Party Transactions Policy
- (iv) Revised General Trading Policy
- (v) Revised Guidelines for the Nomination and Election of Independent Directors
- (vi) Data Privacy Policy

(g) Approval of the Company's 2016 PSE Corporate Governance Guidelines Disclosure Survey

(h) Authority to Appoint Luis Cañete and Company as the Board of Election Inspector for the 2017 Annual Stockholders' Meeting

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

No action is to be taken during the Annual Stockholders' Meeting with respect to the amendment of the Company's Charter, By-Laws or other documents.

Item 18. Other Proposed Actions

(a) *Approval of the 2016 Annual Report and Financial Statements.* The proposal is intended to present to the stockholders the results of the Company's operations in 2016, in accordance with Section 75 of the Corporation Code.

The Company's audited financial statements as of December 31, 2016 is made part of the Company's 2016 Definitive Information Statement (2016 Information Statement). The 2016 Information Statement is distributed to the stockholders of the Company at least 15 days prior to the ASM, and the same will be posted at the Company's website at www.aboitiz.com.

A resolution approving the 2016 Annual Report and Audited Financial Statements shall be presented to the stockholders for approval.

(b) *Appointment of the Company's External Auditor for 2017.* The proposal is intended to appoint an auditing firm which can best provide assurance to the directors and stockholders on the integrity of the Company's financial statements and adequacy of its internal controls. The Board Audit Committee and the Board of Directors will endorse SGV as the external auditor for 2017 for the shareholders to appoint.

The profile of the external auditor is disclosed in the 2016 Preliminary and Definitive Information Statements and in the Company's website.

A resolution for the appointment of the Company's external auditor for 2017 shall be presented to the stockholders for approval.

(c) *Ratification of Acts, Resolutions and Proceedings of the Board of Directors, Corporate Officers and Management in 2016 up to May 15, 2017.* The proposal is intended to allow the stockholders to ratify the acts of the Board of Directors and Officers of the Company as a matter of procedure or policy.

The resolutions approved by the Board in its regular and special meetings refer only to acts done by the Board, Corporate Officers and Management in the ordinary course of business. The board resolutions are enumerated in the 2016 Information Statement. The Company also regularly discloses material transactions approved by the Board. These disclosures are available for viewing and can be downloaded at the Company's website at www.aboitiz.com.

A resolution to ratify the acts, resolutions and proceedings of the Board of Directors, corporate officers and management in 2016 up to the date of the Annual Stockholders' Meeting shall be presented to the stockholders for approval.

Item 19. Voting Procedures

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

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

Nominees who receive the highest number of votes shall be elected as members of the Board of Directors pursuant to Section 24 of the Corporation Code.

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

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

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

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

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

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

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

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

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

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

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

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Taguig on April 19, 2017.

ABOITIZ EQUITY VENTURES, INC.
By:

M. Jasmine S. Oporto

M. JASMINE S. OPORTO
Corporate Secretary

DEFINITION OF TERMS

Aboitiz Foundation	Aboitiz Foundation, Inc.
Aboitiz Group	ACO and the companies or entities in which ACO has beneficial interest and over which ACO, directly or indirectly, exercises management control, including, without limitation, AEV, AboitizPower, AboitizLand, Pilmico, Aboitiz InfraCapital and their respective Subsidiaries and Affiliates
Aboitiz InfraCapital	Aboitiz InfraCapital, Inc. (formerly: AEV Infracapital, Inc.)
AboitizLand	Aboitiz Land, Inc.
AboitizPower or AP	Aboitiz Power Corporation
AboitizPower Group	Aboitiz Power Corporation and its Subsidiaries
AboitizPower International	AboitizPower International Pte. Ltd.
Abojeb Group	Refers to Aboitiz Jebsen Company, Inc., Aboitiz Jebsen Manpower Solutions, Inc., and Jebsen Maritime, Inc.
Abovant	Abovant Holdings, Inc.
ACI	Aboitiz Construction, Inc. (formerly Aboitiz Construction Group, Inc.)
ACO	Aboitiz & Company, Inc.
AdventEnergy	Adventenergy, Inc.
AESI	Aboitiz Energy Solutions, Inc.
AEV, the Company, the Issuer or the Registrant	Aboitiz Equity Ventures, Inc.
AEV Av	AEV Aviation, Inc. (formerly Davco Holdings, Inc.; Spin Realty Corporation)
AEV CRH	AEV CRH Holdings, Inc.
AEV Group or the Group	AEV and its Subsidiaries
AEV International	AEV International Pte. Ltd.
Affiliate	With respect to any Person, any other Person directly or indirectly Controlled or is under common Control by such Person.
Aggregator	Refers to a person or entity, engaged in consolidating electric power demand of end-users in the contestable market, for the purpose of purchasing and reselling electricity on a group basis.
Ambuklao-Binga Hydroelectric Power Complex	Refers to SN Aboitiz Power-Benguet's 105-MW Ambuklao Hydroelectric Power Plant located in Bokod, Benguet and 140-MW Binga Hydroelectric Power Plant in Itogon, Benguet
AMLA	Anti-Money Laundering Act
AP Solar	AP Solar Tiwi, Inc.
APA	Asset Purchase Agreement
APDS	Automatic Payroll Deduction System
APRI	AP Renewables, Inc.
APX	Aboitiz Power Distributed Energy, Inc.
Archipelago Insurance	Archipelago Insurance Pte. Ltd.
ARI	Aboitiz Renewables, Inc. (formerly Philippine Hydropower Corporation)
ARR	Annual Revenue Requirement
AS	Ancillary Services
Aseagas	Aseagas Corporation
ASPA	Ancillary Services Procurement Agreement
Associate	Refers to an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.
ATM	Automated Teller Machine
ATSC	Aboitiz Transport System (ATSC) Corporation (now 2GO Group, Inc.)
Bakun Plant	Refers to the 70-MW Bakun AC run-of-river hydropower plant located in Amilongan, Alilem, Ilocos Sur
BCQ	Bilateral Contract Quantity
BEZ	Balamban Enerzone Corporation
BIR	Bureau of Internal Revenue
BOC	Bureau of Customs
BOI	The Philippine Board of Investments
BOT	Build-Operate-Transfer
BPO	Business Process Outsourcing
BREOC	Biomass Renewable Energy Operating Contract

Brownfield	Refers to power generation projects that are developed on sites which had previous developments
Bunker C	A term used to designate the thickest of the residual fuels that is produced by blending any oil remaining at the end of the oil refining process with a lighter oil
Business Unit	A Subsidiary or an Affiliate of AEV
CA	Court of Appeals
CASA	Current Account/Savings Account
CBA	Collective Bargaining Agreement
CBAA	Central Board of Assessment Appeals
Cebu Energy	Cebu Energy Development Corporation
CG Report	Refers to the Company's Corporate Governance Report
Chevron	Chevron Geothermal Philippines Holdings, Inc.
CIPDI	Cebu Industrial Park Developers, Inc.
CitySavings or CSB	City Savings Bank, Inc.
Cleanergy	Cleanergy, Inc. (formerly Northern Mini-Hydro Corporation)
COC	Certificate of Compliance
Code	Refers to the Company's Code of Ethics and Business Conduct
Contestable Customer	Refers to an electricity end-user who has a choice of a supplier of electricity, as may be determined by the ERC in accordance with Republic Act 9136 or the EPIRA
Control	A term which refers to possession, directly or indirectly, by a Person of the power to direct or cause the direction of the management and policies of another Person whether through the ownership of voting securities or otherwise; provided, however, that the direct or indirect ownership of over 50% of the voting capital stock, registered capital or other equity interest of a Person is deemed to constitute control of that Person; "Controlling" and "Controlled" have corresponding meanings.
Corporation Code	Corporation Code of the Philippines
Cotabato Light	Cotabato Light & Power Company

CPCN	Certificate of Public Convenience and Necessity
CPDC	Cebu Praedia Development Corporation
CPPC	Cebu Private Power Corporation
CRH Aboitiz	CRH Aboitiz Holdings, Inc.
CSEE	Contract for the Supply of Electric Energy
CTA	Court of Tax Appeals
DAU	Declaration of Actual Use
Davao Light	Davao Light & Power Company, Inc.
DCWD	Davao City Water District
DENR	Department of Environment and Natural Resources
DOE	Department of Energy
DOLE	Department of Labor and Employment
Distribution Companies or Distribution Utilities	Refers to BEZ, Cotabato Light, Davao Light, LEZ, MEZ, SEZ, SFELAPCO and VECO, collectively; "Distribution Company" or "Distribution Utility" may refer to any one of the foregoing companies.
EAUC	East Asia Utilities Corporation
ECA	Energy Conversion Agreement
ECC	Environmental Compliance Certificate
El Paso Philippines	El Paso Philippines Energy Company, Inc.
Enerzone Companies	A term collectively referring to BEZ, LEZ, MEZ and SEZ – AboitizPower Group's Distribution Utilities operating within special economic zones
EPC	Engineering, procurement and construction
EPIRA	RA 9136, otherwise known as the "Electric Power Industry Reform Act of 2001," as amended from time to time, and including the rules and regulations issued thereunder
EPPA	Electric Power Purchase Agreement
ERC	Energy Regulatory Commission
ERP	Enterprise Resource Planning
Filagri	Filagri, Inc.
Filagri Holdings	Filagri Holdings, Inc.
FIT	Feed-in-Tariff
FIT-All	Feed-in-Tariff Allowance

FPIC	Free Prior and Informed Consent
Food Group	A term collectively referring to Pilmico, PANC, Filagri, Pilmico International, Pilmico Vietnam Trading and Pilmico VHF; the Company's Business Units engaged in the food business
Garcia Group	Refers to Vivant Energy Corporation (VEC) and Vivant Integrated Generation Corp. (VIGC)
Gazasia	Gazasia Ltd.
GCGI	Green Core Geothermal Incorporated
Generation Companies	Refers to APRI, CPPC, EAUC, Hedcor, Hedcor Sibulan, Hedcor Tudaya, Hedcor Sabangan, Hedcor Bukidnon, LHC, SN Aboitiz Power-Magat, SN Aboitiz Power-Benguet, Sacasun, SPPC, STEAG Power, WMPC, RP Energy, Abovant, Cebu Energy, TLI, TSI, TVI, TMI, TMO, PEC and other generation companies of the AboitizPower Group; "Generation Company" may refer to any one of the foregoing companies.
Global Formosa	Global Formosa Power Holdings, Inc.
Global Power	Global Business Power Corporation of the Metrobank Group
GNPower-Mariveles or GMCP	GNPower Mariveles Coal Plant Ltd. Co.
GNPower-Dinginin or GNPD	GNPower Dinginin Ltd. Co.
Government	The Government of the Republic of the Philippines
Greenfield	Refers to power generation projects that are developed from inception on previously undeveloped sites
GRESC	Geothermal Renewable Energy Service Contracts
GRSC	Geothermal Resource Sales Contracts
Guidelines	Refers to the Company's Guidelines for the Constitution of the Nomination Committee and the Nomination and Election of Independent Directors
GWh	Gigawatt-hour, or 1,000,000 kilowatt-hours
HEDC	Hydro-Electric Development Corporation
Hedcor	Hedcor, Inc.

Hedcor Consortium	Refers to the consortium comprised of APRI, Hedcor and Hedcor Sibulan with an existing PSA with Davao Light for the supply new capacity to Davao Light
Hedcor Sabangan	Hedcor Sabangan, Inc.
Hedcor Sibulan	Hedcor Sibulan, Inc.
Hedcor Tudaya	Hedcor Tudaya, Inc.
HEPP	Hydroelectric Power Plant
Hijos	Hijos De F. Escaño, Inc.
ILP	Interruptible Load Program
IMEM	Interim Mindanao Electricity Market
IPPA	Independent Power Producer Administrator
Joint Venture	Refers to a type of joint agreement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually-agreed sharing of control of an arrangement, which exist only when decisions about the relevant activities require anonymous consent of the parties sharing control.
JPU	Japanese Public Utilities
JVA	Joint Venture Agreement
JVACC	J.V. Angeles Construction Company
kV	Kilovolt, or 1,000 volts
kW	Kilowatt, or 1,000watts
kWh	Kilowatt-hour, the standard unit of energy used in the electric power industry. One kilowatt-hour is the amount of energy that would be produced by a generator producing 1,000 watts in one hour
Land Group	A term collectively referring to AboitizLand and the Company's Business Units engaged in the real estate business
LBAA	Local Board of Assessment Appeals
LEZ	Lima Enerzone Corporation (formerly Lima Utilities Corporation)
LGC	Local Government Code
LGU	Local Government Unit
LHC	Luzon Hydro Corporation
LimaLand	Lima Land, Inc.
LNG	Liquified Natural Gas
LTC	Lima Technology Center

LTI	Lost Time Incident
LWC	Lima Water Corporation
Maaraw San Carlos	Maaraw Holdings San Carlos, Inc.
Magat Plant	Refers to the 360-MW HEPP of SN Aboitiz Power - Magat, located at the border provinces of Isabela and Ifugao
Manual	Refers to the Company's Manual of Corporate Governance
MAP	Maximum Average Price
MCIAA	Mactan - Cebu International Airport Authority
MEPZ I	Mactan Export Processing Zone I
MEPZ II	Mactan Export Processing Zone II
Meralco	Manila Electric Company
MEZ	Mactan Enerzone Corporation
MOA	Memorandum of Agreement
MOPS	Mean of Platts Singapore
MOR	Must-Offer-Rule
MORE	Manila – Oslo Renewable Enterprise, Inc.
MRF	Mine Rehabilitation Fund
MT	Metric Ton
MW	Megawatt, or one mn watts
MWh	Megawatt-hour
MWP	Megawatt-peak
MVA	Megavolt Ampere
NEA	National Electrification Administration
NGCP	National Grid Corporation of the Philippines
NIA	National Irrigation Authority
NLRC	National Labor Relations Commission
NPC	National Power Corporation
NREB	National Renewable Energy Board
NWRB	National Water Resources Board
NYSE	The New York Stock Exchange
Open Access	Retail Competition and Open Access
PA	Provisional Authority
Pacific Hydro	Pacific Hydro Pty. Ltd., an Australian company that specializes in developing and operating renewable energy projects; the parent company of Pacific Hydro Bakun, Inc.

Pagbilao Plant or Pag1 and Pag2	Refers to the 700-MW (2x350 MW) coal-fired thermal power plant located in Pagbilao, Quezon
PANC	Pilmico Animal Nutrition Corporation (formerly Fil-Am Foods, Inc.)
PBI	Pilmico Bioenergy, Inc.
PBR	Performance-Based Rate-Setting Regulation
PCC	Philippine Competition Commission
PCRM	Pricing and Cost Recovery Mechanism
PDEx	Philippine Dealing & Exchange Corp., the fixed-income securities market which provides an electronic trading platform of exchange for fixed-income securities
PDS	Power Distribution System
PDTC	Philippine Depository and Trust Corporation
PEC	Pagbilao Energy Corporation
PEMC	Philippine Electricity Market Corporation
Person	Means an individual, corporation, partnership, association, joint stock company, trust, any unincorporated organization, or a government or political subdivision thereof
PETNET	PETNET, Inc.
PEZA	Philippine Economic Zone Authority
PGPC	Philippine Geothermal Production Company, Inc.
Philippine Pesos or ₱	The lawful currency of the Republic of the Philippines
PhilRatings	Philippine Rating Services Corporation
Pilmico	Pilmico Foods Corporation
Pilmico International	Pilmico International Pte. Ltd.
Pilmico VHF	Pilmico VHF Joint Stock Company
Pilmico Vietnam Trading	Pilmico Viet Nam Trading Company
PIPPA	Philippine Independent Power Producers Association, Inc.
PIS	Performance Incentive Scheme
PPA	Power Purchase Agreement
PPP	Public-Private Partnership

Prism Energy	Prism Energy, Inc.
PSA	Power Supply Agreement
PSALM	Power Sector Assets and Liabilities Management Corporation
PSC	Power Supply Contract
PSE	The Philippine Stock Exchange, Inc.
PSPA	Power Supply and Purchase Agreement
RA	Republic Act
RCBM	Republic Cement and Building Materials, Inc.
RCBM Group	Composed of the following companies: Republic Cement and Building Materials, Inc., Republic Cement Iligan, Inc., Republic Cement Mindanao, Inc., Republic Cement Services, Inc., and Luzon Continental Land Corporation
REM	Retail Electricity Market
Renewable Energy Act or RE Law	RA 9513, otherwise known as the Renewable Energy Act of 2008
REPA	Renewable Energy Payment Agreement
RES	Retail Electricity Supplier
RESA	Retail Electricity Suppliers Association of the Philippines, Inc.
RESC	Renewable Energy Service Contracts
RORB	Return-on-Rate base System
RP Energy	Redondo Peninsula Energy, Inc.
RPT	Real Property Tax
RSC	Retail Supply Contracts
RSDWR	Rules for Setting Distribution Wheeling Rates
RTC	Regional Trial Court
RTT	Right-to-Top
Run-of-river hydroelectric plant	Refers to a hydroelectric power plant that generates electricty from the natural flow and elevation drop of a river
Sacasun	San Carlos Sun Power Inc.
SBFZ	Subic Bay Freeport Zone
SBMA	Subic Bay Metropolitan Authority
SC	The Supreme Court of the Philippines
SCADA	Supervisory Control Data Acquisition
SEC	The Securities and Exchange Commission of the Philippines
SEZ	Subic EnerZone Corporation
SFELAPCO	San Fernando Electric Light and Power Co., Inc.
Sibulan Project	Refers to the two run-of-river hydropower generating facilities tapping the Sibulan and Baroring rivers in Sibulan, Santa Cruz, Davao del Sur
SLA	Service Level Agreement
SN Aboitiz Power - Benguet	SN Aboitiz Power - Benguet, Inc. (formerly SN Aboitiz Power Hydro, Inc.)
SN Aboitiz Power - Magat	SN Aboitiz Power - Magat, Inc.
SN Aboitiz Power Group	Refers to the group of companies formed out of the strategic partnership between AboitizPower and SN Power, and refers to MORE and its Subsidiaries, including, SN Aboitiz Power-Benguet, Inc., SN Aboitiz Power-Gen, Inc.,SN Aboitiz Power-RES, Inc., and SN Aboitiz Power-Magat, Inc.
SN Power	SN Power AS, a consortium between Statkraft AS and Norfund of Norway
SN Power Group	Refers to the group formed by Statkraft AS and Norfund, and is composed of, among others, SN Power AS and Agua Imara AS. It is the leading Norwegian hydropower group with operations in Asia, Africa and Latin America.
SPC	SPC Power Corporation
SPPC	Southern Philippines Power Corporation
SRC	RA 8799 or the Securities Regulation Code of the Philippines
STEAG Power	STEAG State Power Inc.
Subsidiary	In respect of any Person, refers to any entity: (i) who has power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee); (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) ability to use its power over the investee to affect its returns.
TCIC	Taiwan Cogeneration International Corporation
TCOIR	Total Cost of Insurable Risk
TeaM Energy	Team Energy Corporation

Team Philippines	Team Philippines Industrial Power II Corporation (formerly: Mirant (Phils.) Industrial Power II Corp.)
THC	Tsuneishi Heavy Industries (Cebu), Inc.
THI	Tsuneishi Heavy Industries (Cebu), Inc.
Tiwi-MakBan Geothermal Facilities	Refers to the geothermal facilities composed of eight geothermal plants and one binary plant, located in the provinces of Batangas, Laguna and Albay
TLI	Therma Luzon, Inc.
TMI	Therma Marine, Inc.
TMO	Therma Mobile, Inc.
TPI	Therma Power, Inc.
TPVI	Therma Power - Visayas, Inc.
TransCo	National Transmission Corporation and, as applicable, the National Grid Corporation of the Philippines or NGCP which is the Transco concessionaire
TSA	Transmission Service Agreement
TSI	Therma South, Inc. (formerly Therma Pagbilao, Inc.)
TVI	Therma Visayas, Inc. (formerly Vesper Industrial and Development Corporation)
ULGEI	Unified Leyte Geothermal Energy, Inc.
ULGPP	Unified Leyte Geothermal Power Plant
UnionBank or UBP	Union Bank of the Philippines
US$ or USD	The lawful currency of the United States of America
VAT	Value Added Tax
VEC	Vivant Energy Corporation
VECO	Visayan Electric Company, Inc.
VIGC	Vivant Integrated Generation Corporation
WAM	Work and Asset Management
WCIP	West Cebu Industrial Park, Inc.
WCIP-SEZ	West Cebu Industrial Park-Special Economic Zone
WeatherPhilippines	WeatherPhilippines Foundation, Inc.
WESM	Wholesale Electricity Spot Market
WMPC	Western Mindanao Power Corporation
Western Union	Western Union Company

PART 1 – BUSINESS AND GENERAL INFORMATION

Item 1. Business

(1) Business Development

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

Since then, the Company has expanded its portfolio into a wide range of businesses. AEV's core businesses, conducted through its various Subsidiaries and Associates, can be grouped into six main categories: power generation, distribution, and retail electricity supply; financial services; food manufacturing; real estate; infrastructure; and portfolio investments.

AEV's power Business Unit, Aboitiz Power Corporation (AboitizPower), was incorporated in 1998. AboitizPower is a publicly listed holding company that, through its Subsidiaries and Affiliates, is a leader in the Philippine power industry and has interests in a number of privately-owned generation companies and distribution utilities. In July 2007, ownership in AboitizPower was opened to the public through an IPO of its common shares in PSE.

AEV's financial services group is composed of Union Bank of the Philippines (UnionBank) and its Subsidiaries, and PETNET, Inc. (PETNET), a money-transfer company. UnionBank is a publicly listed universal bank. It was incorporated on August 16, 1968 and was originally known as Union Savings and Mortgage Bank. The bank's common shares were listed in the PSE on June 29, 1992. It was granted the license to operate as a universal bank on July 15, 1992. UnionBank became the thirteenth and youngest universal bank in the country after operating as a commercial bank for only ten years. In January 2013, the Company and its Subsidiary, Pilmico Foods Corporation (Pilmico) accepted the offer of UnionBank to purchase all of their outstanding shares in City Savings Bank, Inc. (CitySavings), a Cebu-based thrift bank. PETNET is the largest Western Union agent network in the Philippines. AEV acquired 51% equity interest in PETNET on June 1, 2015.

Meanwhile, AEV's food Business Unit, Pilmico, is one of the country's largest manufacturers of flour, and ranks among the top three domestic flour producers in terms of sales. To diversify the cyclical nature of its existing products, Pilmico entered the swine production and animal feeds businesses in 1997.

In 2014, AEV completed its first international acquisition through Pilmico International Pte. Ltd. (Pilmico International), the Company's Singapore-based Affiliate. Pilmico International acquired 70% of the total outstanding shares in Vin Hoan 1 Feed JSC (VHF), one of the largest aqua feed producers in Vietnam. This allowed the Food Group to expand its feeds business in Vietnam and build its market base internationally. After completion of the acquisition, VHF was thereafter renamed as Pilmico VHF. Pilmico International has the obligation to purchase the remaining 30% of the outstanding shares of Pilmico VHF within a period of five years. In October 2016, Pilmico International purchased 100% ownership interest in Pilmico Viet Nam Trading Company Limited (Pilmico Vietnam Trading). Pilmico Vietnam Trading will be the vehicle used for the importation and distribution of Pilmico products in the Vietnam market.

Aboitiz Land, Inc. (AboitizLand), the real estate arm of the AEV Group, was incorporated on June 2, 1964 under the name Central Visayan Warehousing Co., Inc. AboitizLand remains one of the country's most trusted names in real estate development, with investments in residential, commercial and industrial developments, and property management in Cebu after two decades in operation. The Company completed the acquisition of 100% ownership of AboitizLand from Aboitiz & Company, Inc. (ACO), at an acquisition cost of ₱3.2 bn on November 19, 2012. ACO is the largest stockholder of AEV. In 2012, the SEC approved the extension of AboitizLand's corporate term for another 50 years or until June 12, 2064.

AEV's first foray into infrastructure involve the acquisition of the Lafarge S.A.'s Philippine assets through AEV CRH Holdings, Inc. (AEV CRH), CRH Aboitiz Holdings, Inc. (CRH Aboitiz) and their respective Subsidiaries. In addition to this, Apo Agua Infrastractura, Inc. (Apo Agua), a joint venture company with J.V. Angeles Construction Company (JVACC), is the project company for the supply of treated bulk water to the Davao City Water District (DCWD). The proposed venture includes the construction of both a hydroelectric-powered bulk water treatment facility and the conveyance system needed to deliver treated bulk water to numerous DCWD delivery points. On March 17, 2015, Apo Agua entered into a Joint Venture Agreement (JVA) and Bulk Water Purchase Agreement with DCWD.

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

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

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

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

On June 2012, AEV signed the Memorandum of Agreement with Gazasia Ltd. (Gazasia) in an effort to provide sustainable and green transport solutions through the utilization of non-hazardous organic waste. AEV and Gazasia's partnership intends to jointly develop, construct and operate biomethane facilities that will convert organic waste material into carbon-neutral, sustainable and renewable fuel for power in the form of biogas. Construction of the biogas plant began in 2014. In March 2016, AEV sold all of its equity interests in Aseagas Corporation (Aseagas) to Aboitiz Renewables, Inc. (ARI), a wholly owned Subsidiary of AboitizPower. Aseagas is the project company of the biomass renewable energy plant that utilizes organic wastes.

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

In February 2015, AEV pre-qualified for the bidding of the operation and maintenance of the existing LRT Line 2 (LRT2) system. The Company, in partnership with SMRT International Pte. Ltd (SMRT), is participating in the bid through a consortium referred to as the Aboitiz-SMRT Transport Solutions Consortium. SMRT is a wholly owned subsidiary of SMRT Corporation Ltd., a multi-modal transport service provider in Singapore offering rail, bus and taxi services. SMRT is the largest rail operator in Singapore, operating three of the five metro lines and a light rail system.

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

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

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

Same as the 2013 Bonds, PhilRatings gave the 2015 Bonds the highest possible rating of "PRS Aaa". The 2015 Bonds were also registered with PDEx.

On June 1, 2015, AEV acquired 51% equity stake in PETNET, the largest Western Union agent network in the Philippines. It has growth and development potential with the continued increase in Overseas Filipino Worker remittances. Through its extensive network of outlets, PETNET also has the opportunity to distribute complementary products.

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

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

The Company, together with VINCI Airports, submitted the pre-qualification documents on August 17, 2015 to the Department of Transportation and Communication (DOTC) for the bidding of the operation, maintenance and expansion of five regional airports-Davao, Laguindingan, New Bohol, Iloilo and Bacolod.

Starting 2017, AEV segregated its infrastructure investments into a separate entity. Aboitiz Infracapital, Inc. (Aboitiz InfraCapital) (formerly AEV Infracapital, Inc.) was incorporated on January 13, 2015 as the investment vehicle for all future infrastructure related investments of the Aboitiz Group.

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

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

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

(2) Business of Issuer

(a) Description of Registrant

(i) Principal Products or Services

As of December 31, 2016, AEV's core businesses, conducted through its various Subsidiaries and Affiliates, can be grouped into six main categories as follows: (i) power distribution, power generation and retail electricity supply; (ii) financial services; (iii) food manufacturing; (iv) real estate; (v) infrastructure; and (vi) portfolio investments (parent company/others).

Based on the SEC paremeters of what constitutes a significant Subsidiary under Item XX of Annex "B" of SRC Rule 12, AboitizPower is AEV's only significant Subsidiary. (Please see Annex "D" for the corporate structure of AEV showing the different business segments.)

Aboitiz Power Corporation (AboitizPower)

Incorporated in 1998, AboitizPower is a publicly listed holding company that, through its Subsidiaries and Affiliates, is a leader in the Philippine power industry and has interests in a number of privately-owned generation companies and distribution utilities. AEV owns 76.83% of the outstanding capital stock of AboitizPower as of March 31, 2017.

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

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

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

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

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

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

(a) An effective 55% equity interest in VECO, the second largest privately-owned distribution utility in the Philippines in terms of customers and annual GWh sales and the largest distribution utility in the Visayas region;
(b) 100% equity interest in each of Davao Light and Cotabato Light. Davao Light is the third largest privately owned distribution utility in the Philippines in terms of customers and annual GWh sales;
(c) An effective 64% ownership interest in Subic EnerZone Corporation (SEZ), which manages the Power Distribution System (PDS) of the Subic Bay Metropolitan Authority (SBMA); and

(d) An effective 44% ownership interest in San Fernando Electric Light and Power Co., Inc. (SFELAPCO), which holds the franchise to distribute electricity in the city of San Fernando, Pampanga, in Central Luzon and its surrounding areas.

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

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

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

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

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

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

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

In 2007, AboitizPower entered into an agreement to buy the 20% equity of Team Philippines in SEZ for ₱92 mn. Together with the 35% equity in SEZ of AboitizPower's Subsidiary, Davao Light, this acquisition brought AboitizPower's total equity in SEZ to 100%.

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

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

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

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

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

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

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

On March 31, 2014, Therma Power-Visayas, Inc. (TPVI) was declared the highest bidder for the privatization of the Naga Power Plant Complex (NPPC) located in Colon, Naga City, Province of Cebu. SPC Power Corporation (SPC), the other bidder, exercised its right-to-top (RTT) under the Naga Power Plant Land-Based Gas Turbine Land Lease Agreement (LBGT- LLA), and PSALM declared SPC as the winning bidder. Senator Sergio R. Osmeña III filed a petition for certiorari and prohibition to enjoin PSALM from implementing SPC's RTT, and to have the said RTT declared null and void. PSALM, SPC and TPVI were impleaded as respondents. In its September 28, 2015 Decision, the Supreme Court cancelled the award to SPC on the finding that SPC's RTT is void for lack of interest or right to the object over which the right to top is to be exercised. The Supreme Court has denied the motions filed by SPC with finality and issued an Entry of Judgement on January 9, 2017. SPC has a pending Motion for Leave to File and Admit Motion for Reconsideration dated December 9, 2016 with the Supreme Court. On February 14, 2017, TPVI received the Entry of Judgement dated January 9, 2017, which states that the September 28, 2015 Decision and the October 5, 2016 Resolution have become final and executory on November 28, 2016 and have been recorded in the Book of Entries of Judgement.

On May 15, 2014, TPI entered into a joint venture agreement with TPEC Holdings Corporation to form Pagbilao Energy Corporation (PEC). PEC is the project company that will develop, construct and operate the 400 MW Pagbilao Unit III, which is ongoing construction in the same location as the existing 700 MW Pagbilao Units I and II coal-fired thermal power plant in Pagbilao, Quezon.

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

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

On August 29, 2014, SEC approved AboitizPower's application for the issuance of fixed-rate corporate retail bonds (the "Bonds") with an aggregate principal amount of up to ₱10 bn. The Bonds, which received the highest possible rating of "PRS Aaa" rating from the Philippine Rating Services Corporation, were issued simultaneously in two series, the 7-year bonds with a fixed-interest rate of 5.205% per annum, and the 12-year bonds with a fixed-interest rate of 6.10% per annum. The Bonds are also listed with the PDEx, the fixed-income securities market which provides an electronic trading platform of exchange for fixed-income securities.

In November 2014, AboitizPower, through its holding company for its renewable assets, Aboitiz Renewables, Inc. (ARI), entered into a joint framework agreement with Sun Edison Philippines Helios BV (SunEdison) to jointly explore, develop, construct and operate utility scale solar photovoltaic power generation projects in the Philippines for the next three years. The projects intend to swiftly bring cost-effective solar energy to the country. On August 18, 2015, ARI and SunEdison signed shareholders' agreements to formalize the equity sharing, governance structure, and other terms and conditions of the ARI and SunEdison partnership in Maaraw Holdings San Carlos, Inc. The joint venture company, San Carlos Sun Power, Inc. (Sacasun), will undertake the acquisition, development and exploration of the 59-Megawatt peak (MWp) solar photovoltaic power generation project in San Carlos City, Negros Occidental. On July 15, 2016, ARI issued default notices to its joint venture partner, Sun Edison Philippines Helios BV, in respect of their project vehicle, Sacasun, due to a voluntary petition for reorganization under Chapter 11 of the U.S. Bankruptcy Code filed by SunEdison's parent company, Sunedison, Inc. in early 2016. On December 29, 2016, ARI signed a Memorandum of Understanding (MOU) with BDO Unibank, Inc. (BDO) and Sacasun for the acquisition by ARI of Sacasun's loan from BDO.

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

In pursuit of its undertaking to expand its business in Asia, AboitizPower entered into an agreement with SN Power AS (SN Power) and PT Energi Infranusantara on September 25, 2015 to participate in the feasibility studies for the exploration and development of a potential 127 MW hydropower generation project along the Lariang River in Central Sulawesi, Indonesia.

On September 21, 2015, AboitizPower's wholly owned Singapore-based Subsidiary, AboitizPower International Pte. Ltd. entered into an agreement with PT Medco Power Indonesia (PT Medco) to participate in the exploration and development of a potential 2x55 MW Greenfield geothermal plant in East Java Province, Indonesia. On January 31, 2017, after reviewing its overall capital commitments, AboitizPower decided to exit from the Greenfield geothermal exploration and development project and allow PT Medco to proceed with the project.

On July 4, 2016, ARI completed its acquisition of all equity interests of Aseagas Corporation (Aseagas) from AEV. The acquisition of the shares in Aseagas is in line with AboitizPower's target to increase its attributable net sellable capacity to 4,000 MW by 2020. Aseagas will operate a biomass renewable energy plant to produce power from organic waste.

On October 3, 2016, TPI was selected as the preferred bidder for the competitive tender process undertaken by certain investment funds affiliated with The Blackstone Group L.P. for the indirect sale of all of their partnership interests in GNPower Mariveles Coal Plant Ltd. Co. (GNPower-Mariveles or GMCP) and GNPower Dinginin Ltd. Co. (GNPower-Dinginin or GNPD). The Purchase and Sale Agreements for the acquisition were finalized on October 4, 2016, which resulted in TPI acquiring an 82.8% beneficial ownership interest in GNPower-Mariveles and 50%

beneficial ownership interest in GNPower-Dinginin. AboitizPower's ownership interest in GN Power–Mariveles will ultimately be reduced to 66.1% and in GN Power–Dinginin to 40%, post return of capital. The acquisition was completed on December 27, 2016, Philippine time, upon receipt of the approvals from the Philippine Competition Commission (PCC) and the Philippine Board of Investments (BOI).

GENERATION OF ELECTRICITY

Since its incorporation in 1998, AboitizPower has accumulated interests in both renewable and non-renewable generation plants. As of December 31, 2016, the power generation business accounted for 82% of earning contributions from AboitizPower's business segments. AboitizPower conducts its power generation activities through the Subsidiaries and Affiliates listed in the table below.

The table below summarizes the Generation Companies' operating results for 2016 and the previous two years.

Generation Companies	Energy Sold 2016	Energy Sold 2015	Energy Sold 2014	Revenue 2016	Revenue 2015	Revenue 2014
	(in GWh)			(in mn Pesos)		
APRI	2,688	2,643	2,772	10,334	10,714	12,397
Hedcor	140	154	156	776	800	814
LHC	263	248	263	801	712	733
Hedcor Sibulan	189	212	239	1,131	1,260	1,352
Hedcor Tudaya	30	33	32	180	187	165
Hedcor Sabangan	28	39	N/A	166	228	N/A
SN Aboitiz Power - Magat	923	762	754	6,308	6,223	5,769
SN Aboitiz Power - Benguet	867	819	844	6,307	6,549	6,692
TLI	5,091	5,124	4,706	19,661	20,455	20,093
TSI*	1,640	436	N/A	8,869	1,745	N/A
Cebu Energy	1,723	1,713	1,494	7,966	8,109	8,037
STEAG Power	1,605	1,671	1,207	4,706	4,811	4,298
WMPC	355	644	597	1,636	1,430	1,442
SPPC	155	292	334	633	709	743
CPPC	146	159	140	1,292	1,465	1,704
EAUC	90	117	123	725	936	1,205
TMI	917	1,205	845	4,268	6,437	6,844
TMO	336	308	327	2,911	3,231	3,996
Davao Light**	0	0	0	Revenue Neutral	Revenue Neutral	Revenue Neutral
Cotabato Light**	0	0	0	Revenue Neutral	Revenue Neutral	Revenue Neutral

** Operations of Unit 1 only for the year 2015.*

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

Renewables

Aboitiz Renewables, Inc. (ARI)

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

As one of the leading providers of renewable energy in the country, AboitizPower holds all its investments in renewable energy through its wholly owned Subsidiary, ARI. AboitizPower, either directly and/or through ARI, owns equity interests in the following generation companies, among others:

(a) 100% equity interest in Luzon Hydro Corporation (LHC) which operates the 70 MW Bakun AC HEPP in Ilocos Sur in northern Luzon;
(b) 100% equity interest in Hedcor, which operates 16 mini-hydroelectric plants (each with less than 10 MW in installed capacity) with a total capacity of 42 MW located in Benguet province in northern Luzon and in Davao City in southeastern Mindanao;
(c) 100% equity interest in Hedcor Sibulan, Inc. (Hedcor Sibulan), which operates the 49 MW Sibulan and Tudaya 1 HEPP in Davao del Sur;
(d) 100% equity interest in Hedcor Tudaya, Inc. (Hedcor Tudaya), which operates the 7 MW Tudaya 2 HEPP in Davao del Sur;
(e) 100% equity interest in Hedcor Sabangan, Inc. (Hedcor Sabangan), which operates the 14 MW Sabangan run-of-river HEPP in Sabangan, Mountain Province;
(f) 100% equity interest in Hedcor Bukidnon, Inc. (Hedcor Bukidnon), which is currently building a 68 MW run-of-river HEPP in Manolo Fortich, Bukidnon;
(g) 83.33% equity interest in Manila-Oslo Renewable Enterprise, Inc. (MORE), which owns SN Aboitiz Power-Magat, the company that operates the 360 MW Magat HEPP in Isabela in northern Luzon and SN Aboitiz Power-Benguet, the company that operates the 245 MW Ambuklao-Binga HEPP complex in northern Luzon;
(h) 100% equity interest in APRI, which owns the 390 MW Tiwi-MakBan geothermal facilities located in Albay, Laguna and Batangas;
(i) 60% equity interest in Maaraw Holdings San Carlos, Inc. (Maaraw San Carlos) which owns Sacasun, the project company of the 59 MWp utility-scale solar photovoltaic solar project in San Carlos City, Negros Occidental;
(j) 100% equity interest in Aboitiz Power Distributed Energy, Inc. (APX), the company engaged in developing energy solutions using emerging technology; and
(k) 100% equity interest in Aseagas Corporation (Aseagas), the company established for the Group's biomass project located in Lian, Batangas.

Run-of-River Hydros

Luzon Hydro Corporation (LHC)

Up until May 10, 2011, LHC was ARI's joint venture with Pacific Hydro of Australia, a privately-owned Australian company that specializes in developing and operating power projects utilizing renewable energy sources, principally water and wind power. On March 31, 2011, ARI, LHC and Pacific Hydro signed a Memorandum of Agreement (MOA) granting ARI full ownership over LHC. ARI assumed full ownership and control of LHC on May 10, 2011. At present, AboitizPower effectively owns 100% of LHC through its wholly owned Subsidiary, ARI.

LHC owns, operates and manages the 70 MW Bakun AC run-of-river hydropower plant located in Amilongan, Alilem, Ilocos Sur (Bakun Plant). The Bakun Plant was constructed and operated under the government's BOT scheme. Energy produced by the Bakun Plant, approximately 254 GWh annually, is delivered and taken up by NPC pursuant to a Power Purchase Agreement (the Bakun PPA) and dispatched to the Luzon grid through the 230-kV Bauang-Bakun transmission line of NGCP. Under the terms of the Bakun PPA, all of the electricity generated by the Bakun Plant will be purchased by NPC for a period of 25 years from February 2001. The Bakun PPA also requires LHC to transfer the Bakun Plant to NPC in February 2026, free from liens and without the payment of any compensation by NPC.

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

LHC completed the rehabilitation of approximately 900 meters of unlined tunnel of the Bakun Plant on September 2012. The company has also replaced two 15-year old power transformers last February 2016 to improve reliability and to enable it to continuously produce clean and renewable energy to the Luzon grid.

Hedcor, Inc. (Hedcor)

Hedcor, a wholly owned Subsidiary of ARI, is effectively 100% owned by AboitizPower. It was incorporated on October 10, 1986 by ACO as the Baguio-Benguet Power Development Corporation. ARI acquired ACO's 100% ownership interest in Hedcor in 1998.

In 2005, ARI consolidated all of its mini-hydroelectric generation assets, including those developed by HEDC and Cleanergy in Hedcor. As a result, Hedcor owns, operates and manages run-of-river hydropower plants in northern Luzon and Davao with a combined installed capacity of 44 MW. The electricity generated from Hedcor's hydropower plants are taken up by NPC, Adventenergy and Davao Light pursuant to Power Purchase Agreements (PPAs) with the said off-takers. Irisan 1 which started commercially operating in April 2012, is selling under the Feed-in Tariff (FIT) mechanism through a Renewable Energy Payment Agreement (REPA) with National Transmission Corporation (Transco). The remaining electricity is being sold through the Wholesale Electricity Spot Market (WESM).

Northern Luzon's climate is classified as having two pronounced seasons - dry from November to April and wet for the rest of the year. Due to this classification, generation levels of Hedcor's plants, particularly those located in Northern Luzon, are typically lower during the first five months of each year. During the full years 2015 and 2016, Hedcor's hydropower plants generated a total of 153 GWh and 145 GWh of electricity, respectively.

Hedcor Sibulan, Inc. (Hedcor Sibulan)

Hedcor Sibulan owns, operates and manages the Sibulan hydroelectric power plants (Sibulan Project). AboitizPower, together with its wholly owned Subsidiary, ARI, effectively owns 100% interest in Hedcor Sibulan.

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

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

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

Hedcor Tudaya, Inc. (Hedcor Tudaya)

Hedcor Tudaya owns, operates and manages the 7 MW Tudaya Hydro 2 run-of-river hydropower plant in Astorga, Santa Cruz, Davao del Sur. AboitizPower, together with its wholly owned Subsidiary, ARI, effectively owns 100% interest in Hedcor Tudaya. The Tudaya Hydro 2 plant has been commercially operating since March 2014.

Tudaya Hydro 2 is currently selling energy under the FIT mechanism through a Renewable Energy Supply Agreement with Davao del Sur Electric Cooperative, and through a REPA with Transco.

Hedcor Sabangan, Inc. (Hedcor Sabangan)

Hedcor Sabangan owns, operates and manages the 14 MW Sabangan run-of-river hydroelectric power plant in Sabangan, Mountain Province. AboitizPower, together with its wholly owned Subsidiary, ARI, effectively owns 100% interest in Hedcor Sabangan.

The Sabangan plant has been commercially operating since June 2015, and selling under the FIT mechanism through a REPA with Transco.

Hedcor Bukidnon, Inc. (Hedcor Bukidnon)

Hedcor Bukidnon is the project company for the 68.8 MW Manolo Fortich Hydroelectric power project located in Manolo Fortich, Bukidnon. AboitizPower, together with its wholly owned Subsidiary, ARI, effectively owns 100% interest in Hedcor Bukidnon.

This project is composed of the 43.4 MW Manolo Fortich Hydro 1 and the 25.4 MW Manolo Fortich Hydro 2 plants which shall be located in the Province of Bukidnon. Both plants are expected to produce at least 350 GWh annually. The construction of the Manolo Fortich Project began in 2015 with an estimated total project cost of ₱13 bn. The project is expected to be completed by the third quarter of 2017.

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

Large Hydros

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

SN Aboitiz Power-Magat is ARI's joint venture with SN Power, a leading Norwegian hydropower company with projects and operations in Asia, Africa and Latin America. SN Aboitiz Power-Magat is owned 60% by MORE. SN Power Invest Netherlands BV (SN Power Netherlands) owns the remaining 40% of SN Aboitiz Power-Magat. On December 14, 2006, SN Aboitiz Power-Magat won the bid for the 360 MW Magat HEPP (Magat Plant) conducted by PSALM.

The Magat Plant, which is located at the border of Ramon, Province of Isabela and Alfonso Lista, Ifugao in Northern Luzon, was completed in 1983. As a hydroelectric facility that can be started up in a short period of time, the Magat Plant is ideally suited to act as a peaking plant with the capability to capture the significant upside potential that can arise during periods of high demand. This flexibility allows for the generation and sale of electricity at the peak demand hours of the day. This hydroelectric asset has minimal marginal costs, granting its competitive advantage in terms of economic dispatch order versus other fossil fuel-fired power plants that have significant marginal costs.

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

In September 2007, SN Aboitiz Power-Magat obtained a US$380-mn loan from a consortium of international and domestic financial institutions which include the International Finance Corporation, Nordic Investment Bank, BDO–EPCI, Inc., Bank of the Philippine Islands (BPI), China Banking Corporation (Chinabank), Development Bank of the Philippines (DBP), The Hongkong and Shanghai Banking Corporation Limited (HSBC), Philippine National Bank (PNB) and Security Bank Corporation (Security Bank). The US$380-mn loan consists of a dollar tranche of up to US$152 mn, and a peso tranche of up to ₱10.1 bn. The financing agreement was hailed as the region's first-ever project finance debt granted to a merchant power plant. It won Project Finance International's Power Deal of the Year, and Asset's Best Project Finance Award and Best Privatization Award. The loan was used to partially finance the deferred balance of the purchase price of the Magat Plant under the Asset Purchase Agreement (APA) with PSALM. Part of the loan proceeds was also used to pay SN Aboitiz Power- Magat's US$159-mn loan from AEV and advances from its shareholders which were used to acquire the Magat Plant. In 2012, SN Aboitiz Power-Magat secured top-up financing of ₱5 bn for its recapitalization requirements and general corporate purposes.

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

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

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

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

The RESC for the Magat Plant was signed on June 2, 2016. This made SN Aboitiz Power-Magat eligible for the incentives provided under the RE Law. Specifically, SN Aboitiz Power-Magat elected to avail the 10% corporate income tax rate incentives provided under the RE Law. A series of extensive stakeholder engagement activities was successfully conducted to mitigate the impact of the change from national wealth tax to government share on host local government units to ensure a smooth transition.

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

Even with the pronouncement of El Niño phenomenon in the first half of 2016, inflow to the Magat reservoir was within the normal range during that period. However, inflow in the third quarter of 2016 was abnormally low, particularly in September which set the record for historical lowest inflow for that month in the past 33 years. This resulted to below normal reservoir elevation in the third quarter reducing the Magat Plant's generation capability. High inflow in the fourth quarter offset the plant's record low inflow and ended 2016 inflow at 86% of normal.

Despite the increase in spot generation, the Magat Plant's total sold capacity in 2016 is at 1.6 terrawatt-hour (TWh), slightly lower than the 1.7 TWh sold in 2015. This is due to the decrease in sold AS capacity in 2016 of 0.87 TWh, which is only 77% of the previous year's performance.

The Ancillary Services Procurement Agreement (ASPA) between SN Aboitiz Power-Magat and NGCP entered into on March 2013 expired on July 26, 2016 (2013 ASPA). On August 24, 2016, the company and NGCP jointly filed a new APSA with the ERC. The parties agreed to extend the 2013 ASPA, pending issuance by the ERC of a Provisional Authority or Final Approval of the new ASPA. The new ASPA has a validity of five years and has the same AS volume, price and schedule, terms and conditions as the 2013 ASPA. The Jurisdictional, Expository Presentation, Pre-trial Conference and Trial Hearings have been concluded for the new ASPA. SN Aboitiz Power-Magat and NGCP have yet to receive the Provisional Authority or Final Approval from the ERC.

SN Aboitiz Power Group's Greenfield Development Program aims to grow its renewable energy portfolio by looking at potential hydroelectric power projects in the Philippines, primarily within its current host communities in Northern Luzon.

The Maris Canal Hydropower Plant Project involves the construction of an 8.5-MW run-of-river hydropower plant in Ramon, Isabela. The project broke ground in late 2015 and is targeted for completion by late 2017.

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

SN Aboitiz Power-Magat has sustained the implementation of its Integrated Management System (ISO 14001) Environmental Management System, ISO 9001 Quality Management System, and OHSAS 18001 Occupational Health & Safety Management System), as verified and audited by the certification body last August 2016. In December 2016, SN Aboitiz Power-Magat was given the Corporate Safety and Health Excellence Award during the 12th Energy Safety and Health Conference, an award given to companies with outstanding workplace safety and health performance.

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

SN Aboitiz Power-Benguet is also ARI's joint venture with SN Power. The company is 60% owned by MORE, while the remaining 40% is owned by SN Power Netherlands.

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

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

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

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

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

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

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

The ASPA for the Ambuklao Plant entered into on March 2013 between SN Aboitiz Power - Benguet and NGCP expired on July 26, 2016 (2013 ASPA). On August 24, 2016, the company and NGCP jointly filed a new ASPA with the ERC. The parties agreed to extend the 2013 ASPA pending issuance by the ERC of a Provisional Authority or Final Approval of the new ASPA. On December 5, 2016, the ERC issued a letter granting the issuance of a Provisional Authority for the implementation of the ASPA for the Ambuklao Plant effective December 26, 2016. The new ASPA is valid for five years from effectivity date under the same terms and conditions as the 2013 ASPA, and has firm contracted capacities covering regulating and contingency reserves of 30 MW to 82 MW depending on the month of the year.

The Ambuklao Plant's total sold capacity in 2016 increased to 76% with 701 GWh as compared with the previous year's 64% performance. This is mainly due to the year-round availability of the plant for AS provision, compared to 2015 when the plant was only able to commence delivering AS in the month of April.

The Binga Plant's sold capacity in 2016 is unchanged at 93% with 1.1 TWh. Higher spot generation was offset by the reduced AS capacity sold in 2015.

Both Ambuklao and Binga Plants have sustained the implementation of its Integrated Management System (ISO 14001 Environmental Management System, ISO 9001 Quality Management System, and OHSAS 18001 Occupational Health & Safety Management System) and have retained the management system certificates. This was verified and audited by the certification body in March 2016.

For the third straight year, the Ambuklao and Binga Plants were awarded the Gawad ng Kaligtasan at Kalusugan (GKK) Award given by the Department of Labor and Employment (DOLE). Both plants also received the Corporate Safety and Health Excellence Award during the 12th Energy Safety and Health Conference for the outstanding workplace safety and health performance of the plants.

As of December 31, 2016, SN Aboitiz Power-Benguet has contributed 662 GWh and ₱1.037 bn to Bilateral Contract Quantity (BCQ), which accounts for 48% of BCQ volumes and 56% of BCQ net revenue. The company also contributed a total BCQ of 1.38 terawatt hours (TWh) and total BCQ net revenue of ₱1.91 bn accounting for 29% and 17% of total SN Aboitiz Power Group volume sales and net revenue, respectively.

Geothermal

AP Renewables Inc. (APRI)

APRI, a wholly owned Subsidiary of ARI, is effectively 100% owned by AboitizPower. It is one of the country's leading renewable power companies. It acquired the Tiwi-MakBan geothermal facilities located in Tiwi, Albay, Bay and Calauan both in Laguna, and Sto. Tomas, Batangas from PSALM in July 2008. These geothermal facilities, with a total potential capacity of 693.2 MW, were formally turned over to APRI on May 25, 2009.

As geothermal power plants, Tiwi and MakBan produce clean energy that is reasonable in cost, efficient in operation and environment-friendly. With continuous technological advancements, APRI aims to operate and maintain the Tiwi and MakBan geothermal facilities in accordance with the highest professional standards of world-class independent power producers operating in a regulated market.

On May 26, 2013, APRI's steam supply contract with the Philippine Geothermal Production Company, Inc. (PGPC) shifted to a Geothermal Resources Sales Contract (GRSC). APRI assumed certain rights and obligations of the NPC and PSALM under the GRSC as a result of the acquisition of the Tiwi-MakBan geothermal facilities. Under the GRSC, the effective steam price payable to PGPC will be at a premium to coal prices.

On August 13, 2013, APRI and PGPC entered into an Interim Agreement amending the GRSC to modify the steam price formula. This agreement resulted in a more rational fuel costing during off-peak hours when electricity demand is low. APRI and PGPC continue to discuss the merit and feasibility of mutually beneficial steam off-take arrangements. The GRSC will expire on September 30, 2021.

APRI has successfully completed major refurbishment activities comprising of 14 generation units at the Tiwi and MakBan geothermal facilities. On March 2013, APRI completed the testing of Units 5 and 6 of the MakBan geothermal power plant for 72 hours at full load, in accordance with the requirements of the Asset Purchase Agreement between APRI and PSALM. On July 2016, APRI has likewise completed the rehabilitation and commissioning of the 6 MW Binary Plant 1 located in MakBan. The Binary Plant utilizes geothermal brine to run turbines prior to injection of the brine to the underground reservoir. Significant improvements in reliability and steam usage efficiency have been achieved following the completion of the aforesaid activities.

On February 2016, APRI signed an Omnibus Agreement with the Asian Development Bank (ADB), BPI and Credit Guarantee & Investment Facility (CGIF), a trust fund of ADB, to avail of the combined credit facilities of ADB and BPI up to the amount of ₱12.5 bn. The issuance was certified as a Climate Bond in December 2015 by the Climate Bond Initiative and is the first issuance of its kind in Asia.

Through the years, APRI's geothermal facilities have operated at an improved efficiency level through rehabilitation programs to counteract the challenges of declining steam supply.

Solar

Maaraw Holdings San Carlos, Inc. (Maaraw San Carlos)

Maaraw San Carlos is the holding company for ARI and SunEdison Philippines Helios BV (SunEdison Philippines)'s investments in Sacasun. Maaraw San Carlos' capital stock is held by ARI and SunEdison Philippines at 60% and 40%, respectively. Maaraw San Carlos is 60% Filipino-owned.

San Carlos Sun Power Inc. (Sacasun)

Incorporated on July 25, 2014 with primary purpose of exploring, developing, and utilizing renewable energy resources, SacaSun is the joint venture company of ARI, Maaraw Holdings San Carlos and SunEdison Philippines for the development, exploration and management of the 59 MWp solar photovoltaic power generation project in San Carlos City, Negros Occidental.

In August 2015, Sacasun embarked on a Greenfield, stand-alone solar farm project located in San Carlos Ecozone, Barangay Punao, San Carlos City, Negros Occidental. The project was conceptualized with the aim to achieve sustainable development and supply electricity to the Visayas grid, where there is a short supply and increasing demand for power. The solar farm project was commissioned on March 9, 2016 and formally inaugurated on April 19, 2016.

Sacasun applied for FIT eligibility under the second installation target of the DOE in order to avail of the preferred pricing and dispatch to the grid of the energy produced from the solar power plant.

The goal of the project is to harness sustainable power from the sun, while maintaining the integrity of the surrounding environment. After successful testing and commissioning in the first quarter of 2016, it began to generate daytime baseload power to the Visayas grid in March 2016. The solar farm has an approximate installed capacity of 58.98 MWp. The energy generated from the solar farm benefits at least 13,000 homes within the Visayas grid. SacaSun believes in producing clean energy for the sustainable development and inclusive growth of its shared environment and communities.

On December 10, 2015, Sacasun signed an Omnibus Loan and Security Agreement with BDO to secure a loan up to the amount of ₱3.7 bn to finance the project. In early 2016, Sun Edison, Inc., the parent company of SunEdison Philippines, filed a voluntary petition for reorganization under Chapter 11 of the U.S. Bankrupty Code. ARI issued default notices to SunEdison Philippines with respect to Sacasun in July 2016. In December 2016, ARI signed a MOU with BDO and Sacasun for the acquisition by ARI of Sacasun's loan from BDO.

Aboitiz Power Distributed Energy, Inc. (APX)

Incorporated last November 2016 as a company owned by ARI, APX is engaged in developing energy solutions using emerging technology such as Grid-tied Rooftop PhotoVoltaic systems, more commonly known as Rooftop Solar. This venture will explore new business models in the distributed energy space, leveraging synergies with other energy products and services within the broader AboitizPower Group to provide superior customer experience.

Biogas

Aseagas Corporation (Aseagas)

Incorporated on June 5, 2012, Aseagas, a wholly owned Subsidiary of AboitizPower, was established as a waste-to-energy business. Its first project was the construction of a Liquid Bio Methane (LBM) fuel plant in the Philippines. To ensure availability of raw material, Aseagas entered into an agreement with Absolut Distillers, Inc., a subsidiary of LT Group Inc. (formerly: Tanduay Holdings, Inc.), for the supply of organic effluent wastewater.

Due to the slump in oil prices at the end of 2014, Aseagas shifted its business model from producing LBM fuel for vehicles to producing biogas for power generation. Aseagas, however, is open to revisiting its original plan to produce LBM fuel should the prices of oil improve. In 2016, AboitizPower acquired Aseagas to consolidate its waste to energy business with AboitizPower's renewable energy portfolio.

Aseagas has an off take agreement under the FIT program for biomass with the DOE. The company's first project, located in Lian, Batangas, is expected to be on full commercial operation by second quarter of 2017. Aseagas is keen to expand its existing location and build new sites using various sources of waste streams as feedstock.

Non-Renewables

Therma Power, Inc. (TPI)

TPI is a wholly owned Subsidiary of AboitizPower and is the latter's holding company for its non-renewable energy projects. AboitizPower, either directly and/or through TPI, has equity interests in the following generation companies, among others:

(a) 100% equity interest in TMI, owner and operator of 100 MW Mobile 1 barge-mounted power plant in Maco, Compostela Valley and 100 MW Mobile 2 barge-mounted power plant in Nasipit, Agusan del Norte;
(b) 100% equity interest in TMO, owner and operator of Mobile 3–6 barge-mounted power plants in Navotas Fishport, Manila, with a total generating capacity of 242 MW;
(c) 100% equity interest in TLI, the IPPA of the 700 MW contracted capacity of the Pagbilao Plant in Quezon Province;
(d) 100% equity interest in TSI, owner and operator of a 300 MW CFB coal-fired plant in Toril, Davao City;
(e) 100% equity interest in TPVI, the project company that bidded for the privatization of the Naga power plant, located in Naga City, Cebu.
(f) 100% equity interest in EAUC, owner and operator of a 43 MW Bunker C fired power plant in MEPZ 1, Mactan, Cebu;
(g) 80% equity interest in TVI, which is currently building a 300 MW coal-fired power plant in Toledo City, Cebu;
(h) 82.8% beneficial ownership interest as of year-end 2016 in GN Power–Mariveles, owner and operator of an approximately 2x316 MW (net) pulverized coal-fired electric power generation facility in Mariveles, Bataan. TPI's ownership interest GN Power–Mariveles will ultimately be reduced to 66.1% post return of capital;
(i) 50% beneficial ownership interest as of year-end 2016 in GN Power–Dinginin, which proposes to build and operate a 2x668 MW (net) supercritical coal-fired power plant in Bataan. TPI's ownership interest in GN Power–Dinginin will ultimately be reduced to 40% post return of capital;
(j) 50% equity interest in PEC, which is currently building a 400 MW (net) coal-fired power plant in Pagbilao, Quezon Province; 26.4% effective interest in Cebu Energy, which operates a 3x82 MW coal-fired power power plant in Toledo City, Cebu; and
(k) 25% equity interest in RP Energy, which proposes to build and operate a 2x300 MW coal-fired power plant in Redondo Peninsula in the SBFZ.

Oil

Therma Marine, Inc. (TMI)

TMI owns and operates Power Barges Mobile 1 (previously known as PB 118) and Mobile 2 (previously known as PB 117), which have a total generating capacity of 200 MW. Mobile 1 is currently moored at Barangay San Roque, Maco, Compostela Valley, while Mobile 2 is moored at Barangay Sta. Ana, Nasipit, Agusan del Norte. AboitizPower together with its wholly owned Subsidiary, TPI, effectively owns 100% of TMI.

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

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

Therma Mobile, Inc. (TMO)

On May 27, 2011, TMO acquired four barge-mounted power plants located at the Navotas Fish Port, Manila. The barge-mounted power plants have an installed generating capacity of 242 MW. AboitizPower together with its wholly owned Subsidiary, TPI, effectively owns 100% of TMO.

The barges have undergone rehabilitation starting July 2011, and on November 12, 2013, have started commercial operations at a capacity of 100 MW. The current dependable capacity of 204 MW of the barges was attained and proven in a successful capacity test in April 2015.

TMO has an existing PSA with the Manila Electric Company (MERALCO) for a period of 3.75 years, commencing on October 2013.

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

TMO maintains that it did not withhold any capacity for the period covered, as it was physically impossible for TMO to transmit more than 100 MW to MERALCO. Although TMO's rated capacity is 234 MW (net), it could only safely and reliably deliver 100 MW during the November and December 2013 supply period because of the limitations of its engines and the 115-Kv transmission line. This temporary limitation of TMO's plant was confirmed during a dependable capacity testing conducted on November 25, 2013.

East Asia Utilities Corporation (EAUC)

EAUC is the owner and operator of a Bunker C-fired power plant within Mactan Economic Processing Zone I (MEPZ I), Lapu-Lapu City, Cebu. It has been operating the plant since 1997. The company was formed on February 18, 1993 and began supplying power through the WESM on December 26, 2010. On April 26, 2011, EAUC entered into an Electric Power Purchase Agreement (EPPA) with the Philippine Economic Zone Authority (PEZA) to purchase 22 MW electric power from EAUC. EAUC also signed an EPPA with BEZ for the supply of power equivalent to 5.255 MW for a period of five years, starting May 25, 2011 until May 25, 2016. EAUC is currently negotiating for the renewal of its EPPA with BEZ.

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

Cebu Private Power Corporation (CPPC)

Incorporated on July 13, 1994, CPPC owns and operates a 70 MW Bunker C-fired power plant located in the Old VECO Compound, Cebu City. It is one of the largest diesel powered plants on the island of Cebu. Commissioned in 1998, the CPPC plant was constructed pursuant to a BOT contract to supply 62 MW of power to VECO.

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

On July 16, 2013, CPPC and VECO filed an application for a new PSA with the ERC which contemplates a slightly lower electricity rate than its existing rate. It shall take effect upon approval by the ERC and shall expire ten years thereafter.

Southern Philippines Power Corporation (SPPC)

SPPC is a joint venture company among AboitizPower, Alsing Power Holdings, Inc. and Tomen Power (Singapore) Pte. Ltd. AboitizPower has 20% equity interest in SPPC, which owns and operates a 55 MW Bunker C-fired power plant (SPPC Plant) in Alabel, Sarangani, a town located outside General Santos City in Southern Mindanao.

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

Western Mindanao Power Corporation (WMPC)

WMPC is a joint venture company among AboitizPower, Alsing Power Holdings, Inc. and Tomen Power (Singapore) Pte. Ltd. AboitizPower has 20% equity interest in WMPC, which owns and operates a 100 MW Bunker C-fired power station (WMPC Plant) located in Zamboanga City, Zamboanga Peninsula in Western Mindanao.

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

Coal Group

Therma Luzon, Inc. (TLI)

TLI, a wholly owned Subsidiary of AboitizPower, is the first IPPA in the country. On October 1, 2009, it assumed the role of the registered trader of the contracted capacity of the 700 MW (2x350 MW) Pagbilao coal-fired thermal power plant located in Pagbilao, Quezon (Pagbilao Plant or Pag1 and Pag2). As IPPA, TLI is responsible for procuring the fuel requirements of and selling the electricity generated by the Pagbilao Plant. The Pagbilao Plant is owned and operated by TeaM Energy Corporation (TeaM Energy). Under the IPPA Agreement, TLI has the right to receive the transfer of Pag1 and Pag2 at the end of the ECA.

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

Pagbilao Energy Corporation (PEC)

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

TPI and TeaM Energy entered into a Joint Development Agreement, effective May 31, 2012, to develop, own and operate a third generating unit with a net capacity of 400 MW within the Pagbilao Plant facilities which already provided for the possibility of this new unit. PEC was formed as a separate vehicle for the third unit (Pag3), and is intended to be a separate entity from TLI. PEC is not covered by either TLI's IPPA with PSALM, or TeaM Energy's BOT contract with NPC/PSALM. An Environmental Compliance Certificate (ECC) was issued by the Department of Environment and Natural Resources – Environmental Management Bureau (DENR-EMB) on June 18, 2013.

On May 2014, PEC entered into an Engineering, Procurement and Construction (EPC) contract with a consortium comprised of Mitsubishi Hitachi Power Systems Ltd., Daelim Industrial Co. Ltd., DESCO Inc. and Daelim Philippines Inc. for the project. PEC also signed an Omnibus Agreement to obtain loans and credit accommodations to finance the construction of Pag3 with a consortium of lender-banks in the amount of up to ₱33.31 bn. Site construction activities are in progress in line with PEC's target commercial operations by 2017.

Therma South, Inc. (TSI)

Incorporated on November 18, 2008, TSI owns and operates the 300 MW (2x150MW) CFB coal-fired power plant located in Barangay Binugao, Toril District, Davao City and Barangay Inawayan, Sta. Cruz, Davao del Sur. AboitizPower, together with its wholly owned Subsidiary, TPI, effectively owns 100% of TSI.

On June 2012, the EPC contract was awarded to the consortium of Black & Veatch and Formosa Heavy Industries Corporation. TSI declared commercial operations for Unit 1 and Unit 2 on September 2015 and February 2016, respectively. Formal inauguration of Unit 2 was held on January 8, 2016, with then President Benigno C. Aquino III as the keynote speaker.

TSI helped assuage the effects of the power supply deficit that plagued Mindanao in late 2015 up to the first half of 2016 by providing stable and cost-effective baseload power. The company contributes significantly to the upliftment of the lives of the communities hosting the plant through livelihood programs, education and enterprise development initiatives.

Therma Visayas, Inc. (TVI)

TVI is the project company for the construction of the 2x150 MW CFB coal-fired power plant located in Barangay Bato, Toledo City, Cebu. AboitizPower together with its wholly owned Subsidiary, TPI, effectively owns 80% of TVI. The remaining 20% is held by Garcia Group through VIGC and VEC.

TVI was incorporated on October 15, 1997 as Vesper Industrial & Development Corporation, a joint venture company of A. Soriano Corporation (Anscor) and Tokuyama Corporation (Tokuyama).

In December 2011, AboitizPower through its Subsidiary, TPI, acquired all shares of Anscor and Tokuyama, and thereafter renamed the company to Therma Visayas, Inc. The Garcia Group acquired 20% interest in TVI through subscriptions from its increase in authorized capital stock, which was approved by the SEC on December 23, 2014.

TVI aims to address the increasing power demand of the Visayas grid with provisions for the future addition of a third generating unit. Commercial operation of the first unit is expected to start by the last quarter of 2017 with the second unit following three months thereafter.

In May 2014, TVI signed an EPC contract with Hyundai Engineering Co., Ltd. and Galing Power Energy Co., Inc. Units 1 and 2 are expected to connect to the grid by the last quarter of 2017 and first quarter of 2018, respectively.

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

Incorporated on November 28, 2007, Abovant is a joint venture company formed to hold investments in Cebu Energy. Abovant is 60% owned by TPI and 40% owned by VIGC of the Garcia Group.

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

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

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

Redondo Peninsula Energy, Inc. (RP Energy)

Incorporated on May 30, 2007, RP Energy was originally a joint venture between AboitizPower and TCIC. On July 22, 2011, MPGC acquired a majority interest in RP Energy by virtue of a share purchase agreement with TPI. AboitizPower, through TPI, and TCIC retained an equal ownership interest of 25% less one share each. In view of the increasing power demand in the Luzon grid and with the entry of MPGC, RP Energy expanded its original proposal to build and operate a 300 MW coal-fired power plant in Redondo Peninsula of Subic Bay within the SBFZ into a 2x300-MW (net) power plant.

RP Energy has completed the voluntary relocation of all affected residents in the site in accordance with existing Philippine rules and regulations and accepted international standards. In November 2011, RP Energy designated the suppliers of the CFB boilers, steam turbines, generators and supporting auxiliaries that ultimately will be engaged as subcontractors by the selected EPC contractor.

On November 15, 2012, RP Energy was issued an amended ECC to cover two high-efficiency 300 MW (net) units with main steam reheat systems. Site preparation was substantially completed. The EPC contract has been awarded to Hyundai Engineering and Construction Co. Ltd. (Hyundai) with Foster Wheeler Ltd. (Foster Wheeler) and Toshiba Corporation (Toshiba) as major subcontractors/suppliers of the CFB boilers and turbines, respectively. Hyundai has not been notified to proceed with the works, however, because of the filing by an ad hoc group of individuals and organizations of a Petition for Writ of Kalikasan and Environmental Protection Order with the Supreme Court. The Petition was remanded to the Court of Appeals (CA) for a hearing. The CA denied the issuance of Writ of Kalikasan for lack of merit, but nonetheless, nullified RP Energy's ECC and land lease with SBMA's on the grounds of DENR's non-compliance with procedural requirements and SBMA's failure to secure approvals and endorsements from relevant Local Government Units (LGUs). The CA decision became the subject of three Petitions for Review on Certiorari filed by RP Energy, DENR and SBMA with the Supreme Court. In view of this legal dispute, the commercial operations of the power plant became dependent on the final resolution of the Petitions filed with the Supreme Court.

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

RP Energy received three major awards from Philippine Quill Awards and bagged the Anvil Awards for its corporate social responsibility and public relations initiatives for its stakeholders in 2012.

RP Energy achieved significant milestones for its planned 2x300 MW (net) coal-fired power plant in Subic, Zambales. In April 2016, the company entered into separate PSAs with Meralco andAESI for the first 300 MW capacity of the power plant. RP Energy expects approval by the ERC for the PSAs by the first or second quarter of 2017, so it could proceed with construction activities. On October 13, 2016, RP Energy executed EPC contracts with Doosan Heavy

Industries & Construction Co. Ltd. and Azul Torre Construction, Inc. for the project. On December 22, 2016, the company entered into loan agreements with three local banks for the ₱31.5 bn funding for the project. The ERC's PSA approval is a condition precedent to first loan drawdown.

Commercial operations of the first phase is targeted in 2020, with the second unit to follow within twelve months thereafter, contingent upon expansion of the transmission interconnection.

STEAG State Power Inc. (STEAG Power)

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

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

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

GNPower Dinginin Ltd. Co. (GNPower-Dinginin or GNPD)

On December 27, 2016, TPI completed the acquisition of the partnership interests held by affiliated investment funds of The Blackstone Group, L.P in World Power Holdings, L.P. (currently registered as Therma Mariveles Holdings L.P.) and Sithe Global Power, L.P. (currently registered as Therma Dinginin L.P.) This resulted to TPI's acquisition of 50% beneficial ownership interest in GNPower-Dinginin. Aboitiz Power's ownership interest in GNPower-Dinginin will eventually be reduced to 40% post return of capital.

GNPower-Dinginin is a limited partnership organized and established in 2014 with the primary purpose of: (a) developing, constructing, operating, and owning an approximately 2x668 MW (net) supercritical coal-fired power plant to be located at Mariveles, Province of Bataan; (b) generating, selling and trading of electric power, importing machines, equipment, motor vehicles, tools, appurtenant spare parts, coal for fuel, lubricants, cleansing substances and other necessary and related materials or chemicals; and (c) obtaining, entering into and performing any and all contracts and engaging in any and all transactions consistent with the foregoing purpose.

GNPower-Dinginin will be constructed in two phases. The first phase will be for one 668 MW unit (Unit 1) and associated ancillary facilities supporting the full operations of Unit 1 (Dinginin Project). The second phase will be for an additional 668 MW unit (Unit 2) and associated ancillary facilities required to support the full operations of Unit 2, (Dinginin Expansion Project). The Dinginin Project will also include Unit 2's design and engineering and the construction of certain common facilities and equipment to accommodate the Dinginin Expansion Project.

GNPower-Dinginin is co-developed by: (i) Power Partners, (ii) AC Energy Holdings, LLC (ACEHI), a wholly owned subsidiary of Ayala Corporation, and (iii) TPI.

GNPower-Dinginin successfully achieved its financial closing and started the construction of Unit 1 in September 2016 with target delivery by late 2018. To date, GNPower-Dinginin has already signed Power Purchase and Sale Agreements with 27 highly-rated distribution utilities and it also intends to register with the ERC as a RES in order to enable GNPower-Dinginin to enter into forwards contract with prospective Contestable Customers.

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

In October 2016, TPI entered into Purchase and Sale Agreements for the acquisition of partnership interests held by affiliated investment funds of The Blackstone Group L.P. in World Power Holdings, L.P. (currently registered as Therma Mariveles Holdings L.P.) and Sithe Global Power, L.P. (currently registered as Therma Dinginin L.P.) Following the receipt of approvals from the BOI and the PCC, TPI completed the acquisition of the GNPower-Mariveles and GNPower-Dinginin on December 27, 2016. This resulted in TPI ultimately acquiring an 82.8% beneficial ownership interest in GNPower-Mariveles. AboitizPower's ownership interest in GN Power-Mariveles will ultimately be reduced to 66.1% post return of capital.

GNPower-Mariveles is a private limited partnership organized and established to undertake the development, construction, operation, and ownership of a 2x300 MW (net) pulverized coal-fired power plant located in Mariveles, Bataan, Philippines (Mariveles Project).

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

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

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

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

The equity owners of GNPower-Mariveles are TPI, AC Energy Holdings, Inc. (AC Energy), a wholly owned subsidiary of Ayala Corporation, and Power Partners Ltd. Co. (Power Partners).

Other Generation Assets

Two of AboitizPower's Distribution Utilities have their own standby power plants. Davao Light currently maintains the 58.7-MW Bunker C-fired Bajada standby power plant, which is capable of supplying approximately 8% of Davao Light's requirements. Cotabato Light maintains a standby 9.927 MW Bunker C-fired power plant capable of supplying approximately 22% of its requirements.

Future Projects

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

DISTRIBUTION OF ELECTRICITY

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

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

As of December 31, 2016, the power distribution business' earnings contribution from AboitizPower's business segments is equivalent to 18%. The Distribution Utilities had a total customer base of 916,876 in 2016, 881,944 in 2015, and 843,802 in 2014.

The table below summarizes the key operating statistics of the Distribution Utilities for 2016 and the previous two years.

Company	Electricity Sold (MWh)			Peak Demand (MW)			No. of Customers		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
Davao Light	2,173,373	2,069,127	1,981,258	380	354	344	367,782	351,079	331,998
Cotabato Light	146,678	131,975	119,571	27	25	23	38,924	37,697	36,297
VECO	2,922,950	2,585,704	2,527,846	524	475	459	408,586	395,689	380,851
SFELAPCO	588,985	548,365	537,544	117	102	99	97,847	94,227	91,504
SEZ	535,010	506,539	451,448	103	102	96	3,151	3,040	2,946
MEZ	111,486	120,491	123,207	21	22	22	82	80	82
BEZ	102,208	113,800	107,253	30	30	28	32	33	34
LEZ	165,481	149,770	126,524	28	26	22	472	99	90
Total	**6,746,172**	**6,225,771**	**5,974,651**	**1,231**	**1,136**	**1,093**	**916,876**	**881,944**	**843,802**

Visayan Electric Company, Inc. (VECO)

VECO is the second largest privately-owned distribution utility in the Philippines in terms of customers and annual MWh sales. VECO supplies electricity to a region covering 674 square kilometers in the island of Cebu with a population of approximately 1.7 mn. To date, VECO has 19 power substations and one mobile substation that serve the electrical power needs of the cities of Cebu, Mandaue, Talisay and Naga, the municipalities of Minglanilla, San Fernando, Consolacion and Liloan, and the 238 barangays in the island and province of Cebu. As of December 2016, VECO's peak demand was recorded at 524 MW and is serving a total of 408,584 customers.

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

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

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

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

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

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

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

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

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

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

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

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

Incorporated on October 11, 1929, Davao Light is the third largest privately-owned electric distribution utility in the country in terms of customers and annual kWh sales. It was acquired by the Aboitiz Group in 1946 and is currently owned 99.93% by AboitizPower.

Davao Light's original 50-year franchise, covering Davao City, was granted on November 1930 by the Philippine Legislature. On September 2000, RA 8960 granted Davao Light a franchise for a period of 25 years, or until September 2025, covering Davao City, areas of Panabo City, and the municipalities of Carmen, Dujali and Santo Tomas in Davao del Norte, with a population of approximately 1.8 mn and a total area of 3,561 square kilometers. As of December 2016, Davao Light's average peak demand was recorded at 379.98 MW, and it is serving a total of 367,782 customers.

On February 2007, Davao Light awarded a 12-year supply contract of new capacity to Hedcor Consortium, the consortium composed of APRI, Hedcor, Hedcor Sibulan and Hedcor Tamugan. There was a notable price differential between Hedcor Consortium's winning bid price of ₱4.09 per kWh and the next lowest bid price of ₱1.01 per kWh. Over the life of the supply contract, the differential will amount to approximately ₱4.9 bn at current peso value, representing significant savings for Davao Light customers. Davao Light decided to secure the new supply contract in anticipation of the full utilization of the existing contracted energy supply under the ten-year contract with NPC for 1,363,375 MWh and the 12-year contract with Hedcor Consortium.

On December 2016, Davao Light inaugurated its 33-MVA Maa Substation, adding to the 26 substations and two sub-transmission substations, to meet the increasing demand for power of its franchise area, particularly in Davao City. This growth reflected a total sales of 2,173,373,488 kWh as of December 2016.

Mindanao experienced severe power shortage until April 2016 resulting to rotating power interruptions in the Davao Light franchise area. This was largely due to reduced capabilities of major hydroelectric plants caused by the extended El Niño phenomenon, separate incidents of sabotaging of transmission lines and decrease of Davao Light's power supply contract with the NPC-PSALM from 289 MW to 140 MW in January 2016.

Davao Light utilizes contingencies such as tapping of embedded generators directly connected to the distribution facilities synchronized to the grid. In the event of a power crisis, Davao Light's Bunker C-fired standby plant, with an initial installed capacity of 63.4 MW, can provide an average of 40 MW on a sustaining basis, although its capacity has since decreased to 58.7 MW as a result of derating. The standby plant is capable of supplying 8% of Davao Light's electricity requirement.

The power supply from Hedcor Sibulan's 49 MW and Hedcor's 4-MW Talomo hydroelectric plants in the area likewise augmented the power requirements of Davao Light.

Davao Light further optimizes additional power supply from TMI's power barges. It entered into a PSA with TMI on March 21, 2011, as approved by the ERC on May 30, 2011, and subsequently into another PSA for an additional 15 MW.

Davao Light also activates the Interruptible Load Program (ILP), wherein customers run their own generating sets instead of drawing power from the distribution line during a power crisis. Available power is distributed to residential and commercial customers.

To keep pace with the rising demand for power and to support the uptrend of growing economies within its franchise, Davao Light signed a 100 MW PSA with TSI on October 25, 2012, and an additional 50 MW PSA with SPPC in 2016.

Cotabato Light and Power Company (Cotabato Light)

Cotabato Light supplies electricity to Cotabato City and portions of the municipalities of Datu Odin Sinsuat and Sultan Kudarat, both in Maguindanao, with a land area of 191 square kilometers. As of December 2016, Cotabato Light's peak demand was recorded at 26.83 MW and it is serving a total of 38,924 customers.

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

As of 2016, Cotabato Light has three substations of 10 MVA, 12 MVA and 15 MVA, backed up by a 10 MVA power transformer. It is served by one 69-kV transmission line with a distribution voltage of 13.8 kV. These lines can be remotely controlled using the Supervisory Control and Data Acquisition (SCADA).

Cotabato Light maintains a standby Bunker C-fired plant with dependable capacity of 5.85-MW, capable of supplying approximately 22% of its franchise area requirements. The standby plant is capable of supplying electricity in case of power supply problems with PSALM or NGCP and to stabilize voltage when necessary.

To sustain a below cap systems loss, Cotabato Light is continuously innovating its systems and processes. As of December 2016, its systems loss stands at 7.75%, lower than the systems loss cap of 8.5%, as implemented by the ERC.

Cotabato Light is part of the second batch (Group B) of private utilities to enter PBR and is currently under the second regulatory period from April 1, 2013 to March 1, 2017. A reset process is underway to start the third regulatory period covering April 1, 2017 to March 1, 2022.

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

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

SFELAPCO was incorporated on May 17, 1927 and was granted a municipal franchise in 1927. In 1961, RA 3207 was passed by the Philippine Congress granting SFELAPCO a legislative franchise to distribute electricity for a period of 50 years or until June 2011. SFELAPCO's current legislative franchise is granted through RA 9967, for another 25 years commencing on March 24, 2010. As of December 2016, SFELAPCO's peak demand was recorded at 117,401 kW, and it is serving a total of 97,847 customers.

SFELAPCO's franchise in the City of San Fernando, Pampanga covers an area of 78.514 square kilometers. Its franchise spans 402.92 and 662.74 circuit-kilometers on its 13.8-kV and 240-volt distribution lines, respectively. SFELAPCO supplies 35 barangays in the City of San Fernando, Barangays San Isidro and Cabalantian in Bacolor, Pampanga, 25 barangays in the municipality of Floridablanca, and one barangay in Guagua, Pampanga. This area consists of 125.0 square kilometers with approximately 143.34 and 246.18 circuit-kilometers on its 13.8-kV and 240-volt distribution lines, respectively.

SFELAPCO is part of the fourth batch (Group D) of private utilities to enter PBR and is currently under the four-year regulatory period starting October 1, 2011 until September 2015.

AboitizPower has an effective interest of 43.78% in SFELAPCO.

Subic EnerZone Corporation (SEZ)

In May 2003, the consortium of AEV and Davao Light won the competitive bid to provide distribution management services to SBMA and to operate the SBFZ power distribution utility for a period of 25 years. On June 3, 2003, SEZ was incorporated as a joint venture company owned by a consortium comprised of Davao Light, AEV, SFELAPCO, Team Philippines, Okeelanta and PASUDECO to undertake the management and operation of the SBFZ power distribution utility. On October 25, 2003, SEZ was formally awarded the contract to manage SBFZ's power distribution utility, and took over operations. As of December 2016, SEZ's peak demand was recorded at 48,017 kW and it is serving a total of 3,149 customers.

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

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

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

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

For SEZ's second regulatory year covering October 1, 2012 to September 30, 2013, it was able to implement the new rate schedule starting January 2013. Consequently, the resulting under-recoveries from the lag starting from October 1, 2012 were included by SEZ as under-recoveries in its rate filing in the third regulatory year.

The approved recalculated MAP and distribution rates for the third regulatory year covering October 2013 to September 2014 was implemented in the May 2014 billing.

On March 2, 2015, the ERC approved the recalculated MAP and its translation into distribution rates for the different customer classes for the fourth regulatory year from October 2014 to September 2015. The approved rates were implemented in the April 2015 billing period.

The Second Regulatory Period ended September 30, 2015. The reset process for the supposed Third Regulatory Period (the succeeding four years) has been delayed due to the issuance by the ERC in 2013 of an Issues Paper on the Implementation of PBR for Distribution Utilities under RDWR. Said paper aims to revisit various matters relating to the reset process. The ERC solicited comments from industry participants and held various public consultations on said paper.

The Revised Rules for Setting Distribution Wheeling Rates for Privately Owned Electricity Distribution Utilities Operating under Performance Based Regulation was approved in ERC Resolution No. 25 Series of 2016 dated July 12, 2016, entitled "Resolution Modifying the Rules for Setting Distribution Wheeling Rates (RDWR) for Privately Owned Distribution Utilities Entering Performance Based Regulation (PBR)". Based on said rules, the Fourth Regulatory Period shall be on October 1, 2019 to September 30, 2023.

On November 21, 2016, the ERC posted the draft Regulatory Asset Base (RAB) Roll Forward Handbook for Privately Owned Electricity Distribution Utilities for comments. Public consultations were conducted on January 6 and 9, 2017 in Cebu and Manila, respectively.

A petition was filed by Matuwid na Singil sa Kuryente Consumer Alliance, Inc. (MSK) on December 22, 2015 wherein MSK proposed a modified Return-on-Rate Base (RORB) methodology or even a modified Performance Based Regulation (PBR) methodology, wherein 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. The first public consultation was scheduled on January 23, 2017.

Mactan Enerzone Corporation (MEZ)

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

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

MEZ sources its power from NPC pursuant to a CSEE. Under the said contract, NPC is required to provide power to MEZ up to the amount of contracted load, which is based on the projections provided by MEPZ II locators under their respective PSCs with MEZ. As of December 2016, MEZ's peak demand was recorded at 21,018 kW and is serving a total of 82 customers.

MEZ sources its power from SN Aboitiz Power-Magat and GCGI pursuant to a CSEE. Under the said contract, GCGI is required to provide 10 MW to MEZ base load. SN AboitizPower-Magat is required to supply at least 7 MW during peak hours, as based on projections provided by MEPZ II locators under their respective PSCs with MEZ.

Balamban Enerzone Corporation (BEZ)

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

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

On March 7, 2008, AboitizPower purchased THI's 40% equity in BEZ. The acquisition brought AboitizPower's total equity in BEZ to 100%.

In January 2011, BEZ secured firm contracts from various power suppliers such as GCGI, Cebu Energy and EAUC to ensure sufficient power supply to the different industries within the WCIP-SEZ. In the same period, BEZ became a direct member of the PEMC to avail of the power available at the WESM. As of December 2016, BEZ's peak demand was recorded at 30.105 MW and is serving a total of 32 customers.

Lima Enerzone Corporation (Lima Enerzone)

LEZ was incorporated as Lima Utilities Corporation on June 5, 1997 to serve and provide locators within the Lima Technology Center (LTC) with a reliable and stable power supply. It is a wholly owned Subsidiary of Lima Land. With the acquisition by AboitizLand of the interests of the Alsons and Marubeni groups in Lima Land in 2013 and 2014, respectively, the company became a wholly owned Subsidiary of AboitizLand.

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

LEZ' responsive interface ensures that customers receive power that fully meets their business requirements. As asset manager of the electrical infrastructure constructed at the LTC, LEZ has the sole responsibility of providing clean, reliable and uninterrupted power supply to enable the multinational manufacturing companies to produce quality products at international standards. As such, LEZ has an ongoing project of an additional 50-MVA power transformer to serve the increasing demand for future locators and expansions. This project will also provide power supply reliability and flexibility at the LTC.

As of December 2016, Lima Enerzone's peak demand was recorded at 28 MW. The company is currently serving 101 industrial and commercial customers, and 371 residential customers.

RETAIL ELECTRICITY AND OTHER RELATED SERVICES

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

Aboitiz Energy Solutions, Inc. (AESI)

On November 9, 2009, AESI, a wholly owned Subsidiary of AboitizPower, was granted a license to act as a RES, which license was renewed on October 29, 2012 for another five years. With the start of commercial operations of Open Access on June 26, 2013, AESI has served 72 customers. For the year 2016, AESI had a total of 67 customers, with total energy consumption of 812mn kWh.

In December 2014, PSALM formally turned-over the management and dispatch for the 40 MW strips of energy from the ULGPP which AESI won in the November 2013 IPPA bid. With the implementation of the January 2016 billing cycle, AESI was able to deliver a total of 318,271 MWh to its off-taker, VECO, for the year 2016.

Prism Energy, Inc. (Prism Energy)

Prism Energy was incorporated on March 24, 2009 as a joint venture between AboitizPower (60%) and Vivant Corporation (40%). It was granted a five-year RES license by the ERC on May 22, 2012 until May 22, 2017. Prism Energy is envisioned to serve Contestable Customers in the Visayas region. As a RES, Prism Energy will provide its customers with contract options for electricity supply to be based on their operating requirements.

As the power supply situation in the Visayas is being stabilized, Prism Energy is projected to begin formal operations upon procurement of generation supply contracts from generation companies that will operate in the region. It will provide retail electricity supply to end-users qualified by the ERC to contract for retail supply.

Adventenergy, Inc. (AdventEnergy)

Incorporated on August 14, 2008, AdventEnergy is a licensed RES, duly authorized by the ERC to sell, broker, market, or aggregate electricity to end-users including those within economic zones. AdventEnergy's RES license was renewed by the ERC on June 18, 2012 and is valid until June 18, 2017. The company was specifically formed to serve Contestable Customers who are located in economic zones.

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

For the year 2016, AdventEnergy supplied retail electricity to 27 customers with a total consumption of 495 mn kWh.

AboitizPower owns 100% equity interest in AdventEnergy.

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

SN Aboitiz Power-RES, Inc. (SN Aboitiz Power-RES) is the RES arm of the SN Aboitiz Power Group, the group of companies formed out of the strategic partnership between AboitizPower and SN Power. SN Aboitiz Power-RES caters to the Contestable Customer sector and electricity consumers using an average of at least 1 MW in the last 12 months across all industries under Open Access. It offers energy supply packages tailored to the customers' needs and preferences.

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

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

As of December 31, 2016, SN Aboitiz Power-RES accounts for 131 GWh or 9.5% of BCQ volumes which contributed ₱62 mn or 3% of BCQ net revenue.

FINANCIAL SERVICES

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

Union Bank of the Philippines (UnionBank)

UnionBank is a publicly listed universal bank. It distinguishes itself through superior technology, unique branch sales, service-oriented culture and centralized backroom operations. UnionBank's superior technology allows delivery of online, real time business solutions to meet the customers' changing and diverse needs through innovative and customized cash management products and service offerings. Its unique branch culture ensures efficient and quality service as well as mitigates operational risk. The bank's centralized operations enables it to provide responsive, scalable, and secure transaction processing.

Aligned with its thrust of being at the forefront of technology-based banking in the Philippines, UnionBank endeavors to elevate its systems and processes to be at par with international standards and best practices. It obtained ISO 9001:2000 Quality Management System (QMS) Certification for its Central Processing Services in 2008, making it then the first and only bank in the Philippines awarded for its entire centralized backroom operations. In 2010, UnionBank updated its previous certification to ISO 9001:2008 Certification. The bank also achieved ISO 9001:2008 Certifications for its Customer Service Group in 2012 and Branch Operations Management in 2013. It has consistently been certified as having zero nonconformance every year from date of certification during quality audits, demonstrating UnionBank's dedication to uphold quality in its business processes. With the new international standard for QMS in place, the bank has successfully moved from ISO 9001:2008 to ISO 9001:2015 Certifications for all three areas: Central Processing Services (backroom operations), Customer Service Group, and Branch Operations Management (front-line operations). Following the bank's move to ISO 9001:2015, its front-line and backroom operations groups successfully achieved Zero Non-Conformance Ratings and garnered more than twenty positive commendations from the certifying body, TUV Rheinland, in 2015. Its Loans and Trade Finance Operations Management group was also certified the following year, adding to the bank's roster of ISO 9001:2015 QMS certified units. UnionBank was certified for ISO 27001:2005 Information Security Management System in 2014, attesting to the bank's unwavering commitment to become an acknowledged leader and benchmark for service quality, technological advancement, and operational excellence. On the same year, UnionBank successfully obtained ISO 22301:2012 Business Continuity Management System Certification, underscoring its preparedness in responding to business disruptions.

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

Originally known as "Union Savings and Mortgage Bank", UnionBank was incorporated on August 16, 1968. The bank's common shares were listed in the PSE on June 29, 1992. In July 15 of the same year, it was granted the license to operate as a universal bank. UnionBank became the thirteenth and youngest universal bank in the country to be listed in the PSE, being only at its tenth year of operations as a commercial bank at that time.

UnionBank's major shareholder groups include AEV, Social Security System, the country's provider of social security to workers in the private sector, and Insular Life Assurance Co., Ltd., one of the leading and largest Filipino-owned life insurance companies in the Philippines.

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

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

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

On January 8, 2013, UnionBank's Board of Directors approved the purchase of CitySavings, a premier thrift bank which specializes in granting teacher's loans under the Department of Education's (DepEd) Automatic Payroll Deduction System (APDS). The purchase price of ₱5.734 bn was based on 2.5 times the audited book value of CitySavings' shares as of December 31, 2012. The transaction was approved by the Monetary Board of the BSP on March 21, 2013. The acquisition of CitySavings is aligned with UnionBank's business plans and long-term strategy of building businesses based on consumers.

On October 20, 2013, UnionBank raised a total of ₱3.0 bn from its initial offering of Long-Term Negotiable Certificates of Deposits, carrying a coupon rate of 3.50% per annum, which is payable quarterly beginning January 18, 2014 and maturing on April 17, 2019. Proceeds of the issuance were utilized to improve the bank's deposit maturity profile and support business expansion plans.

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

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

On August 16, 2016, UnionBank signed a Cooperation Agreement with Bank Lombard Odier & Co., a leading global wealth and asset manager, to expand its wealth and asset management businesses. UnionBank plans to launch a global and diversified multi-asset fund which is customized for its high-net-worth and ultra-high-net-worth clients' requirements.

On December 27, 2016, UnionBank's Subsidiaries, Union Properties Inc. and CitySavings received approvals from the Monetary Board of the BSP to finalize the joint-acquisition of the majority stake in First-Agro Industrial Rural Bank (FairBank). Established in 1999 to serve the microfinance community, FairBank has total assets of more than ₱360 mn, with over 20,000 depositors and eleven branches in the Cebu province.

On January 27, 2017, UnionBank and its Subsidiary, CitySavings has entered into a bancassurance partnership with Insular Life Assurance Company, Ltd. Subject to regulatory approvals, UnionBank and CitySavings will distribute and sell Insular Life insurance products across its network.

PETNET, Inc. (PETNET)

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

In the third quarter of 2015, PETNET, as an outsourced service provider of CitySavings, started facilitating and accepting applications for DepEd salary loans. In December 2015, it likewise provided the same services to CitySavings for Government Service Insurance System (GSIS) pension loans.

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

FOOD MANUFACTURING

Pilmico Foods Corporation (Pilmico)

Pilmico, the food arm of the Aboitiz Group, is one of the largest flour manufacturers in the country, and is ranked among the top three domestic flour producers.

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

Pilmico is primarily engaged in the manufacture and sale of flour, feeds, and their by-products. It has a wide network of distributors and dealers located in major cities of Manila, Cebu, Davao, Iloilo, Bacolod and Cagayan.

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

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

In September 2012, Pilmico expanded its port facilities, unloading and storage capabilities in Iligan. The port expansion was designed to accommodate Panamax vessels which have a maximum capacity of 65,000 MT. With the new pneumatic unloader, the port can easily unload 10,000 MT daily.

In June 2015, Pilmico's Inter-Island Pier 2, which caters to the additional raw material requirements and feeds volume caused by the expansion of feed mills, was completed. This new pier resolves the bottle neck in the delivery of raw materials to Iligan and the distribution of feeds to the other parts of Visayas and Mindanao.

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

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

In April 2016, Pilmico's Iligan Feed Mill 3 commenced commercial operations. This additional 124,800 MT in feed mill capacity answers the growing demand of feeds in the Visayas and Mindanao regions.

Pilmico Animal Nutrition Corporation (PANC)

In June 1997, Pilmico entered the swine production and animal feeds business through PANC (formerly Fil-Am Foods, Inc.). PANC was a joint venture with Tyson International Holding Co. (Tyson), a subsidiary of Tyson Foods, and PM Nutrition Company, Inc. (PMNC), an affiliate of Purina Mills, Inc.

In October 2002, Pilmico acquired the shareholdings of Tyson and PMNC in PANC, thus making PANC a wholly-owned Subsidiary of Pilmico. At present, Pilmico, together with its wholly owned Subsidiary, Filagri Holdings, Inc., owns PANC.

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

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

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

To continually grow the farms business, PANC will increase its sow level to 14,000 by 2017. This is more than twice the size of its farms business from its first expansion of 6,500 sow level in 2012. At a 14,000 sow level, monthly sales volume would reach 22,000 heads. This would make PANC one of the biggest commercial producers of market hogs in the country.

Filagri, Inc. (Filagri)

Filagri (formerly Filagri Land, Inc.) was originally formed to hold PANC's investments in real estate properties. In January 2012, as part of the diversification plans of PANC, Filagri became the project vehicle of PANC's low-cost feeds. Filagri is a wholly owned Subsidiary of Pilmico.

Pilmico International Pte. Ltd. (Pilmico International)

Pilmico International is the project vehicle of AEV's first international investment in the feeds business. The company was established in June 2014 as a wholly owned Subsidiary of AEV through AEV International Pte. Ltd. (AEV International). Pilmico International has 70% equity interest in Pilmico VHF Joint Stock Company (Pilmico VHF), the operator of an aqua feed mill in Dong Thap Province in Vietnam.

Pilmico VHF Joint Stock Company (Pilmico VHF)

In August 2014, Pilmico International successfully acquired a 70% equity stake in feed mill operator, Vinh Hoan 1 Feed JSC (VHF) from its parent company, Vinh-Hoan Corporation (VHC). Pilmico International is set to purchase the remaining shares within five years at a pre-agreed price.

The Food Group's entry in Vietnam marks the first international investment of the Aboitiz Group. VHF was officially renamed as Pilmico VHF Joint Stock Company by December 2014.

Pilmico VHF is located in Dong Thap Province in Vietnam, and is 165 kilometers away from Ho Chi Minh City. It is the fourth largest pangasius aqua feeds producer in Vietnam, with a capacity of 165,000 MT per year. Pilmico VHF's capacity was successfully ramped up to 270,000 MT in April 2016. The expansion will support efforts to build a commercial Vietnam and export market in addition to the long-term supply agreement with VHC.

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

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

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

AEV International Pte. Ltd. (AEV International)

Established on May 5, 2014, AEV International is the holding company of AEV's investments abroad. AEV International owns 100% of Pilmico International, the investment company that holds 70% equity interest in Pilmico VHF.

REAL ESTATE

Cebu Praedia Development Corporation (CPDC)

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

Aboitiz Land, Inc. (AboitizLand)

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

With over two decades of operations, AboitizLand remains one of the country's most trusted real estate developers, with investments in residential, commercial, and industrial developments. It also engages in property management in Cebu. AboitizLand currently has six residential projects in the selling phase across three different product types: lot only, house and lot, and condominiums. It is the developer and operator of three economic zones: (i) the Mactan Economic Zone II (MEZ II) in Barangay Basak, Mactan, Lapu Lapu City; (ii) the West Cebu Industrial Park (WCIP) in Balamban, Cebu, through its Subsidiary, Cebu Industrial Park Developers Inc. (CIPDI); and (iii) the Lima Technology Center (LTC) in Malvar, Batangas. It also has four commercial projects, namely: (i) The Persimmon Plus in Mabolo, Cebu City; (ii) the iMez Building, (iii) Pueblo Verde; and (iv) The Outlets at Pueblo Verde, all of which are located in Barangay Basak, Mactan, Lapu-Lapu City.

Throughout its long history, AboitizLand continuously innovates to meet the ever-changing needs of diverse markets. It is rooted to its brand theme of "Nurturing Communities", and its tagline, "Made for Life". Both are supported by three attributes that define AboitizLand's culture and business thrusts - nurturing, assuring, and enduring. Referring to its customers as "vecinos", the Basque word for neighbor, the company strongly believes that investing in a home will likely be the single biggest decision in the life of a Filipino. As such, AboitizLand commits to provide each vecino with the ultimate real estate experience.

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

In 2016, with business planning as its focus, AboitizLand scaled up its organization to handle future growth. To achieve unprecedented growth and intensify its market position, AboitizLand will enter the national residential real estate scene while strengthening its presence in its home in Cebu. Growing and reinventing the organization and its products are essential steps for the company to reach its targets. AboitizLand expects to launch several projects in 2017 which will contribute to the growing portfolio of its residential segment.

Cebu Industrial Park Developers, Inc. (CIPDI)

CIPDI is a joint venture company between AboitizLand (60%) and the Kambara Group from Japan, through its wholly-owned Subsidiary, Tsuneishi Holdings (Cebu), Inc. (40%). Incorporated on June 15, 1992, CIPDI started operations in 1993, with the development and operation of WCIP in Balamban, Cebu. WCIP is a 282-hectare industrial zone, catering to medium to heavy industries such as shipbuilding, ship recycling facilities, iron and steel manufacturing plants and allied activities. WCIP currently has ten locators and employs approximately 12,000 employees.

Propriedad del Norte, Inc. (PDNI)

Incorporated on March 1, 2007, PDNI is a wholly owned Subsidiary of AboitizLand. It is engaged in the purchase and development of real estate. PDNI's current land bank stands at 60 hectares, all of which are located in Liloan, Cebu.

Lima Land, Inc. (LimaLand)

LimaLand, formerly managed by the Alsons group and Marubeni group, was incorporated in October 1995. AboitizLand acquired Alsons' 60% interest of LimaLand in October 2013. The remaining 40% interest of Marubeni was subsequently acquired in February 2014, thereby making LimaLand a wholly owned Subsidiary of AboitizLand.

At present, LimaLand develops and operates the Lima Technology Center (LTC). The LTC is a PEZA-registered economic zone located in the Lipa-Malvar area of Batangas, at the heart of the Calabarzon region, the administrative region composed of the provinces of Cavite, Laguna, Batangas, Rizal and Quezon. The LTC is a 590-hectare industrial park catering to export-oriented locators engaged in manufacturing and warehousing operations.

AboitizLand envisions the LTC to be a total township project, combining the concepts of an integrated city and an environment for wholesome living. In 2016, AboitizLand launched The Outlets at Lipa. It is a 9.3-hectare commercial development located inside the LTC, aimed to complement the industrial estate by offering outlet shops, restaurants and leisure places for the ecozone employees and neighbouring communities.

Continuous land development for expansion was made available to new investors year on year. In 2015, the newly developed 70-hectare expansion area was already occupied by new locators. Additional 130 hectares to accommodate new investors and expansion requirements of existing locators is set to be completed in 2017.

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

Lima Water Corporation (LWC)

LWC is a wholly owned Subsidiary of LimaLand. It operates the water distribution within the LTC. It has a daily water capacity of 8,700 cubic meters and full capacity of 40,000 cubic meters. It draws water from its own deep well sources and reservoirs. LWC provides industrial and potable water, ensuring its availability and sufficiency throughout the LTC. The company also operates its own centralized wastewater treatment plant to ensure proper treatment of industrial and domestic waste generated within the LTC. It utilizes an oxidation type system that can process up to 22,000 cubic meters of wastewater per day. LWC has its own wastewater-testing laboratory to properly monitor the waste discharge of the economic zone.

Rehabilitation works for LWC's wastewater treatment plant was completed in 2015, with another plant currently being built. Construction of the additional deep well and ground water reservoir at the expansion areas is near completion and shall be operational by 2017. These infrastructure developments are done to meet the existing locators' requirements, and in anticipation of the new locators' industrial and potable water needs.

Cebu District Property Enterprise Inc. (CDPEI)

Consistent with its vision for growth, AboitizLand partnered with Ayala Land to undertake real estate projects in Cebu. Incorporated on February 20, 2014, CDPEI is a joint venture company, with each of Ayala Land and AboitizLand having 50% equity. The partnership incorporates the strengths of both companies, as it brings together AboitizLand's deep-rooted real estate experience in Cebu and Ayala Land's stellar track record in developing master-planned and sustainable communities.

For its first project, CDPEI looks to transform a 15-hectare lot in Mandaue City, Cebu into a mixed-use development – Gatewalk Central. After breaking ground in 2016, Gatewalk Central's first project in the estate is expected to launch in 2017. This development is envisioned as an impressive growth center, which will have innovative residential developments and commercial spaces with retail and office components.

INFRASTRUCTURE

Aboitiz InfraCapital, Inc. (Aboitiz InfraCapital)

Aboitiz InfraCapital was first incorporated as AEV InfraCapital, Inc. on January 13, 2015. In December 2016, SEC approved the company's application to change its corporate name into Aboitiz InfraCapital, Inc. Aboitiz InfraCapital is a wholly owned Subsidiary of AEV and starting 2017, was positioned as the investment vehicle for all future infrastructure related investments of the Aboitiz Group.

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

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

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

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

Republic Cement and Buildings Materials, Inc. (RCBM)

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

In September 2015, AEV CRH acquired a total of 99.10% equity interest in RCBM partly through private sale and partly through a mandatory tender offer. AEV CRH was required to conduct a mandatory tender offer subsequent to its acquisition of approximately 88.85% of the issued and outstanding shares of RCBM through a private sale. On January 14, 2016, RCBM filed a Petition for Voluntary Delisting with the PSE, which was approved by the PSE Board of Directors, effective on April 25, 2016.

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

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

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

Republic Cement Mindanao, Inc. (RCMI)

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

Since 1999, RCMI's business operations is concentrated mainly on cement distribution and the contracting for the manufacture of cement by Republic Cement Iligan, Inc., an Affiliate.

Republic Cement Iligan, Inc. (RCII)

Incorporated on June 1, 1967, RCI's (formerly Lafarge Iligan, Inc. and Iligan Cement Corporation) primary purpose is to acquire, own, construct, manage and operate a cement plant for the manufacture and production of all kinds of cement and cement products or by-products, including any derivatives thereof.

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

Luzon Continental Land Corporation (LCLC)

LCLC was incorporated on October 26, 1998 primarily to acquire, develop and operate land, quarries, mining rights, buildings and other real or personal property used for mining, and process all kinds of ore and cement materials. It currently leases land and supplies limestone and other raw materials to its Affiliate, RCBM.

AEV CRH acquired 100% of LCLC from Calumboyan Holdings, Inc. on September 15, 2015.

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

RCSI, formerly Lafarge Cement Services (Philippines), Inc. and Lafarge Cement Services, Inc., was incorporated on August 21, 2001. On September 2015, 100% of RCSI was acquired by CRH Aboitiz. RCSI is the managing company of several businesses of RCBM, RCMI, and RCII.

Apo Agua Infrastructure, Inc. (Apo Agua)

Incorporated on August 8, 2014, Apo Agua is a joint venture between AEV (70%) and JVACC (30%). The overall objective of Apo Agua is to provide sustainable, reliable and safe supply of bulk water to DCWD.

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

A unique component of the project is a pioneering innovation which utilizes the “water-energy nexus” concept. The bulk water treatment facility will be powered by its own run-of-river hydropower plant. The project is expected to commence operations in 2019.

OTHER INVESTMENTS

AEV’s other investments include holdings in: (i) aviation through AEV Aviation, Inc. and (ii) underwriting of its insurable risks through Archipelago Insurance Pte. Ltd.

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

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

Archipelago Insurance Pte. Ltd. (Archipelago Insurance)

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

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

AEV International Pte. Ltd. (AEV International)

Established on May 5, 2014, AEV International is the holding company of AEV’s investments abroad. AEV International owns 100% of Pilmico International, the investment company that holds the 70% equity interest in Pilmico VHF.

AEV Aviation, Inc. (AEV Av)

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

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

AEV Av operates under the strictest safety measures and complies with all government aviation policies and the aircraft manufacturers' mandated maintenance procedures. It has 19 employees, who are tasked to serve the aviation needs of the executives of AEV and its Subsidiaries and Affiliates all over the Philippines. All of AEV Av's pilots and maintenance personnel undergo rigid trainings. This ensures that AEV Av's employees are armed with the latest knowledge and skills in aviation technology.

(ii) Sales

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

	2016	2015	2014
Gross Income	116,415	111,260	109,867
Operating Income	28,921	27,418	24,546
Total Assets	**464,077**	**340,118**	**280,997**

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

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

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

	2016		2015		2014	
Power Distribution & Generation	89,163	76%	85,174	76%	86,759	79%
Food Manufacturing	23,702	20%	22,768	20%	18,365	17%
Financial Services	550	0%	307	0%	0	0%
Real Estate	2,441	2%	2,733	2%	3,268	3%
Parent & Portfolio	1,581	1%	1,350	1%	2,702	2%
Total Revenues	**117,438**	**100%**	**112,332**	**100%**	**111,094**	**100%**
Less: Elimination	1,023		1,072		1,226	
Net Revenues	**116,415**		**111,260**		**109,867**	

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

(iii) Distribution Methods of the Products or Services

POWER GENERATION AND DISTRIBUTION

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

Currently, SN Aboitiz Power-Magat, SN Aboitiz Power-Benguet and TLI have ASPAs with NGCP as AS providers to the Luzon grid. SN Aboitiz Power Group delivers regulating, contingency and dispatchable reserves, as well as blackstart service through its three power plants. TLI, on the other hand, is offering contingency reserve under its ASPA.

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

In addition, Hedcor Tudaya Hydro 2, Hedcor Irisan Hydro 1 and Hedcor Sabangan, all in commercial operations, have been approved for inclusion in the FIT system for run-of-river hydro power plants. They have entered into REPAs with the National Transmission Corporation, the FIT-All Administrator, for the collection and payment of the FIT. The generation of Hedcor Tudaya 2 is covered by a Renewable Energy Supply Agreement.

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

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

All of AboitizPower's Distribution Utilities have entered into transmission service contracts with the NGCP for the use of the NGCP's transmission facilities to receive power from their respective Independent Power Producer (IPP), the NPC or PSALM for distribution to their respective customers. VECO owns a 138-kV tie-line that connects to Cebu Energy's power plant. All customers that connect to the Distribution Utilities' distribution lines are required to pay a tariff approved by the ERC.

AboitizPower's wholly owned RES companies, AdventEnergy and AESI, have existing electricity supply contracts to ensure continuous supply of power to their customers. AdventEnergy has 27 customers under RESCs with terms ranging from three to seven years. In 2016, AdventEnergy delivered a total of 495 mn kWhs to its customers.

In 2016, AESI had a total of 67 customers under RESCs with terms ranging from three to ten years, with a total energy consumption of 812mn kWh.

AdventEnergy and AESI follow a pricing strategy which allows customer flexibility. The power rates are calculated using a fixed formula pricing arrangement based on customer load curves, resulting in either a peak-off-peak or capacity load-based competitive rate.

FINANCIAL SERVICES

Union Bank of the Philippines

UnionBank provides its relevant target customers' information and transaction needs through strategically located branch networks and automated teller machines (ATMs), supplemented by a call center under its ISO-certified Customer Service Group. To complement its brick and mortar presence and strengthen its digital footprint, UnionBank has a website: www.unionbankph.com.

Branch Network. UnionBank and its Subsidiaries ended December 2016 with 304 branches nationwide. Select branches were relocated to strategic areas situated within and outside of Metro Manila to maximize visibility and expand customer reach. The branches have user-friendly terminals and a web-based Signature Verification System (SVS) which promote efficient processing of teller transactions. Customers can do over-the-counter (OTC) withdrawals and check encashment at any UnionBank branch. UnionBank's Check Verification System utilizes Philippine Clearing House Corporation's check images, and is instrumental in enabling fast and reliable check clearing.

ATM Network. UnionBank and its Subsidiaries' network of 311 ATMs, as of end-December 2016, supplements its branch network in providing banking services to its customers anytime and anywhere. UnionBank's interconnection with the Bancnet ATM consortium, allows its cardholders to access almost 20,000 ATMs nationwide. In addition, UnionBank's ATM card functions as a VISA debit card that allows electronic purchase and payment transactions.

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

E-Banking. UnionBank's financial services portal, www.unionbankph.com, is the first in the Philippines that provides a wide range of financial services to its individual, business, corporate, and investor customers. These services include online corporate cash management, bills payment, fund transfer, loan application, transaction information, basic request and information services, insurance, and wireless access.

PETNET, Inc.

From a single location in 1998, PETNET has expanded over the years to a network of now over 1,500 company-owned and sub-representative locations nationwide. The initial product offering of its company-owned branches has likewise grown from solely Western Union services to now include money changing, bills payment, mobile loading, loan origination as outsourced service provider, airline ticketing, and micro-insurance. In November 2016, PETNET signed up LBC Express, Inc. as its first non-exclusive Western Union sub-representative. Once fully rolled out, this will add an additional over 1,300 locations to PETNET's network. PETNET continues to be the largest Western Union agent network in the Philippines.

FOOD MANUFACTURING

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

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

REAL ESTATE

In 2016, the residential business unit comprised approximately 57% of AboitizLand's total revenues. Since the early 1990s, AboitizLand has been developing upper-mid to high-end residential subdivisions, focusing on horizontal (lot-only and/ or house-and-lot) products.

AboitizLand is instrumental in the introduction of many firsts to Cebu's real estate scene: (i) the New Urbanism concept of live-work- play in the large master-planned community of Pristina North; (ii) Zen living, which takes off from the spa lifestyle trend, in Kishanta; (iii) the commercial and residential "urban village" that is The Persimmon; (iv) the introduction of shop houses as a residential product in Ajoya; (v) fully-furnished affordable units in an all-studio residential tower that is The Persimmon Studios; (vi) Asian Contemporary designed units in Almiya; and most recently (vii) Amoa, inspired by traditional Filipino residences.

AboitizLand has remained a stable performer despite stiff local competition and the aggressive entry of national real estate developers in Cebu. The company has performed consistently, having delivered sales of ₱2.0 bn in 2016.

Meanwhile, AboitizLand's industrial business unit contributed approximately 37% to the company's total revenues in 2016. Approximately 55% of the industrial business unit's income was contributed by LimaLand.

AboitizLand is a registered developer/operator of MEZ II, where it leases land and provides utility services to locators inside the economic zone under a BOT Agreement with MCIAA. The 63-hectare zone is home to 44 light-to-medium manufacturing locators and is fully leased out.

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

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

INFRASTRUCTURE

In 2016, the cement sales of RCBM and its Subsidiaries (RCBM Group) were primarily made through distributors and dealers, with other sales made directly to contractors, developers, pre-cast manufacturers and ready mix concrete companies. On the other hand, the RCBM Group's aggregate sales were primarily made directly to customers, with some sales made through dealers and retailers. RCBM Group's products are sold nationwide, with a majority of its sales coming from the Luzon region.

(iv) New Products/Services

POWER

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

FINANCIAL SERVICES

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

PETNET's primary service is the provision of money transfer facilities as a direct agent of Western Union. In addition, the company also offers money changing services for its Western Union and walk-in clients. PETNET also offers Western Union Business Solutions, a foreign exchange cross-border business-to-business payment facility, which began in 2011, and has proven to be an effective service for its customers who avail of it, particularly small and medium-sized enterprises. PETNET also engages in foreign exchange trading of US Dollars, primarily with corporate clients. Another successful product offering of PETNET in its company-owned branches is Load Central, a one-stop distribution provider for retail prepaid services such as e-Load, call cards, internet cards, gaming cards and other prepaid airtime credits. In equal measure of success, PETNET also offers bills payment (Bayad Center), airline ticketing, outsourced origination of loans for CitySavings, and micro-insurance, in all its company-owned locations.

REAL ESTATE

In 2015, AboitizLand launched Amoa, a 50-hectare mid-market project located in Compostela, Cebu. The project has since been the key driver of the company's 2016 sales.

FOOD

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

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

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

In 2015 and 2016, PFC participated in the Rice Importation Program of the Philippine government through the National Food Authority.

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

(v) Competition

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

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

GENERATION BUSINESS

The Open Access regime, declining oil and coal prices, and new power plants have toughened competition in energy sales. Competition among RES companies will be further intensified by the upcoming reduction of the threshold for qualifying as a Contestable Customer in the Open Access regime. Customers with consumption of at least 1 MW are mandated to switch to Open Access by February 2017. The threshold of 1 MW will eventually be reduced to 750 kW, and further down to 500 kW. Additional competition for Open Access customers can come from entities that may not generate power but have RES operations by acting as demand aggregators. Generation companies or affiliates thereof are also allowed to act as RES based on ERC regulations. AboitizPower now considers these as opportunities that will allow it to expand its contracting base while having the flexibility of sources.

In 2016, AboitizPower brought new capacities to Mindanao and Visayas as the second unit of TSI and Sacasun came online. TSI and Sacasun brought 150 MW and 46 MW, to Mindanao and Negros Occidental, respectively.

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

Between 2017 to 2019, AboitizPower will further add 789 MW to the country's generation capacity through its ongoing projects. This includes its 40% beneficial share in the Bataan project of GNPower-Dinginin.

AboitizPower's portfolio, consisting of different types of energy sources with a mix of renewables and non-renewables, allows for flexibility in pricing and reliability of supply, thus enhancing competitiveness.

DISTRIBUTION BUSINESS

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

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

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

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

All electricity end users with an average demand ranging from 501 kW to below 750 kW for the preceding 12 months may be allowed to choose their respective RES effective June 26, 2018, subject to the determination of the ERC on the basis of its evaluation on the performance of the retail electricity market.

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

FINANCIAL SERVICES

Union Bank of the Philippines

As of 2016, the Philippine Banking System (PBS) is composed of approximately 602 banking institutions, 42 of which are categorized as universal and commercial banks, approximately 60 as thrift banks and approximately 500 as rural and cooperative banks. To ensure stability and resilience of the PBS, it operates within a highly-regulated environment. As such, deposit and loan products of banking institutions are highly homogenous, differentiated mainly through product pricing and service delivery.

The total assets of the PBS stands at about ₱13.6 tn as of December 2016, up by 12.4% from the previous year. The universal and commercial banks account for 91% of the total resources. Total loan porfolio, excluding reverse repurchase agreements and interbank loans receivable, expanded by 16.7% ending December 2016 at ₱7.0 tn.

As of December 2016, UnionBank ranks eighth largest in resources and loans, sixth in deposits and in capital, per published consolidated financial statements (parent bank and financial allied Subsidiaries), as reflected in the market shares shown below.

	2016[8]		2015[9]	
	Billion Pesos	%	Billion Pesos	%
Assets	471	3.7%	432.0	3.6%
Net Loans[10]	214	3.3%	172.8	3.0%
Deposits	364	3.7%	311.8	3.4%
Capital	61	3.9%	54.8	3.6%

Amidst this operating environment, UnionBank leverages on its competitive advantages anchored on its superior technology, unique branch sales and service culture, and centralized backroom operations. As a result, UnionBank has been acknowledged as a leader in developing innovative products and services, and recognized as among the industry's lowest cost producers measured by revenue-to-expense ratio and one of the most profitable in terms of return on equity, return on assets, and absolute income.

UnionBank's corporate vision is to become one of the top three universal banks in the Philippines, with respect to market capitalization, profits and customer coverage. It is grounded on its purpose of "Making the Diff!" by connecting and enabling communities through Smart Banking in the spirit of UBUNTU. To achieve this vision, UnionBank has adopted five key strategic imperatives, referred to as "FOCUS", which is the acronym for "Financial Value, Operational Excellence, Customer Franchise, UnionBank Experience, and Superior Innovation."

8 Based on Consolidated Financial Reporting Package submitted to BSP.
9 *Supra Note 8.*
10 Total loan portfolio, excluding reverse repurchase agreements and interbank loans receivable.

PETNET, Inc.

PETNET faces competition from other remittance companies in terms of number of branches, novel products and services, aggressive marketing promotions and advertising, and pricing schemes. In order to address these challenges, PETNET embarked on a rapid expansion program and has undertaken a brand re-boot with its new retail brand "pera HUB". It has been increasing its product and service offerings, and is now an outsourced service provider of CitySavings for the latter's DepEd Salary Loan and GSIS Pension Loan programs. In tandem with all these efforts, PETNET has and is poised to launch digital initiatives and leverage technology to more effectively market its product and service offerings. Among these initiatives is a mobile application, the first in the industry, to be launched in January 2017, which initially will have promotional functionalities, and eventually, transactional capabilities as well. PETNET strictly implements compliance with the Anti-Money Laundering Act (AMLA) and has embarked on continuing programs and enhancements to strengthen its Risk Management and Information Security Management systems.

FOOD MANUFACTURING

There is a relatively high degree of competition in the domestic flour milling industry. However, because of high freight and distribution costs within the Philippine archipelago, flour companies have a competitive advantage in the areas proximate to their milling plants. Pilmico's flourmill is located in Iligan City in Northern Mindanao. The only other flour miller operating in Mindanao is Universal Robina Corporation, which has a plant in Davao.

REAL ESTATE

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

INFRASTRUCTURE

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

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

(vi) Sources of Raw Materials and Supplies

As a holding company, AEV's primary business is not dependent on the availability of certain raw materials or supplies. Acquisition and/or purchases of raw material requirements are done at the Subsidiary or Affiliate level.

GENERATION BUSINESS

The Generation Companies generate energy using the following fuel types: hydropower, geothermal, solar, biomass, coal and oil. Renewable fuel sources comprised 36% of its production in 2015, while fossil fuel accounted for 64%.

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

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

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

STEAG Power has existing long-term coal supply agreements with PT Jorong Barutama Greston of Indonesia and Samtan Co. Ltd. of Korea. Cebu Energy also has long-term coal supply agreements with Semirara Mining Corporation, OT Adaro Indonesia and Coal Orbis AG to ensure adequate supply to operate its power plants. TLI has entered into long-term coal supply contracts for the Pagbilao Plant's annual coal requirements, and is continuously looking for and evaluating alternative energy sources to ensure security of supply. Likewise, TSI has long-term coal supply contracts for its coal plant in Mindanao.

Aseagas has a long-term feedstock offtake agreement with Absolute Distillery, Inc. for its biomass power plant in Lian, Batangas.

DISTRIBUTION BUSINESS

The rates at which Davao Light and SFELAPCO purchase electricity from AboitizPower's Generation Companies are established pursuant to the bilateral agreements. These agreements are executed after the relevant Generation Company has successfully bid for the right to enter into a PSA with the Distribution Utility. These agreements are entered into on an arm's-length basis, on commercially reasonable terms and are approved by the ERC. The ERC's regulations currently restrict AboitizPower's Distribution Utilities from purchasing more than 50% of their electricity requirements from Affiliated Generation Companies. Hedcor Sibulan supplies Davao Light with electricity generated from its Hedcor Sibulan plants pursuant to the Hedcor Consortium's 12-year PSA. To add to its power reserve capacity, Davao Light has entered into a three-year power supply contract with TMI for 15 MW last March 21, 2011, which was provisionally approved by the ERC on May 30, 2011. On February 29, 2012, Davao Light and TMI filed a Joint Manifestation with the ERC stating that they agreed to supplement and modify their supply contract to 30 MW. In March 1, 2012, TMI has supplied the contract energy of 30 MW to Davao Light. Davao Light and Cotabato Light entered into 25-year power supply contracts with TSI for 100 MW and 5 MW, respectively. On September 2015, Davao Light and Cotabato Light started drawing the first half of their contracted capacity, or 50 MW and 2.5 MW respectively, from TSI. Starting February 2016, the full 100 MW and 5MW contracted capacity was supplied by TSI.

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

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

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

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

Energy Solutions and ULGEI for 40 MW, 17 MW, and 5 MW baseload supply, respectively. The 5 MW contract with ULGEI was also terminated in 2016 upon failure to secure ERC approval after the one year cooling-off period.

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

On September 25, 2015, MEZ entered into PSAs with its new suppliers, SN Aboitiz Power-Magat and GCGI for contracted energy per year of 43,920 MWh and 87,840 MWh, respectively.

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

Transmission Charges

SFELAPCO has an existing Transmission Service Agreement (TSA) with the NGCP until December 25, 2018 for the use of the latter's transmission facilities in the distribution of electric power from the grid to its customers. All other TSAs of the Distribution Utilities with the NGCP have expired. The Distribution Utilities have negotiated agreements with the NGCP in connection with the amount and form of security deposit that they will provide to the NGCP to secure their obligations under the TSAs.

FOOD MANUFACTURING

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

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

INFRASTRUCTURE

Purchases of Raw Materials

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

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

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

Energy Requirements

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

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

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

(vii) Major Customers

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

POWER GENERATION AND DISTRIBUTION

Out of the total electricity sold by AboitizPower's Generation Companies, approximately 91% are covered by bilateral contracts with, among others, private distribution utilities, electric cooperatives, NPC, industrial and commercial companies. The remaining approximately 9% is sold by the Generation Companies through the WESM.

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

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

Government accounts for various government offices and facilities are categorized as either commercial or industrial depending on their load. Each Distribution Utility monitors government accounts separately and further classifies them to local government accounts, national government account, special government accounts like military camps. Street lights have a different rate category and are thus monitored independently.

REAL ESTATE

AboitizLand's residential projects currently targets a range of customers from middle to upper income brackets, and are not dependent on any single customer base. It is AboitizLand's industrial division, a recurring business operated through CIPDI, which is dependent on Tsuneishi Holdings Corporation (THC) of Japan. THI, a shipbuilding facility operator, is the main locator of WCIP, whose other smaller locators also service the operations of THC.

OTHER SUBSIDIARIES AND AFFILIATES

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

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

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

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

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

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

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

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

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

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

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

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

(ix) Patents, Copyrights and Franchises

GENERATION BUSINESS

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

Additionally, a generation company must meet the minimum financial capability standards set out in the Guidelines for the Financial Standards of Generation Companies issued by the ERC. Under the said guidelines, a generation company is required to meet a minimum annual interest cover ratio or debt service coverage ratio of 1.5x throughout the period covered by its COC.

A generation company must ensure that all its facilities connected to the grid meet the technical design and operational criteria of the Philippine Grid Code and Philippine Distribution Code.

AboitizPower's Distribution Utilities, Davao Light and Cotabato Light, have their own generation facilties and are required under the EPIRA to obtain a COC from the ERC for its generation facilities.

An IPPA such as TLI is not required to obtain a COC. It is nevertheless required, along with all entities owning and operating generation facilities, to comply with technical, financial and environmental standards provided by existing laws and regulations for their operations.

AboitizPower's Generation Companies, which operate hydroelectric facilities, are also required to obtain water permits from the NWRB for the water flow used to run their respective hydroelectric facilities. These permits specify the source of the water flow that the Generation Companies can use for their hydroelectric generation facilities, as well as the allowable volume of water that can be used from the source of the water flow. Water permits have no expiration date and generally are not terminated by the Government as long as the holder of the permit complies with the terms of the permit regarding the use of the water flow and the allowable volume.

AboitizPower, together with its Subsidiaries and Affiliates, is in various stages of project development. Some of its projects have been awarded renewable energy service contracts by the DOE.

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

Title of Document	Issued under the name of	Power Plant						Date of Issuance/ Validity Period
		Name	Type	Location	Capacity	Fuel	Years of Service/ Term of COC	
COC No. 13-11-GN-330-20029L	Hedcor, Inc.	Irisan 3	Hydroelectric Power Plant	Tadiangan, Tuba, Benguet	1.20 MW	Hydro	25	November 11, 2013
COC No. 13-11-GN-331-20030L	Hedcor, Inc.	Bineng 1	Hydroelectric Power Plant	Bineng, La Trinidad, Benguet	3.20 MW	Hydro	25	November 11, 2013
COC No. 13-11-GN-332-20031L	Hedcor, Inc.	Bineng 2	Hydroelectric Power Plant	Bineng, La Trinidad, Benguet	2.00 MW	Hydro	25	November 11, 2013
COC No. 13-11-GN-333-20032L	Hedcor, Inc.	Bineng 2b	Hydroelectric Power Plant	Bineng, La Trinidad, Benguet	750 kW	Hydro	25	November 11, 2013
COC No. 13-11-GN-334-20033L	Hedcor, Inc.	Bineng 3	Hydroelectric Power Plant	Bineng, La Trinidad, Benguet	5.625 MW	Hydro	25	November 11, 2013
COC No. 13-11-GN-329-20028L	Hedcor, Inc.	Ampohaw	Hydroelectric Power Plant	Banengbeng, Sablan, Benguet	8.00 MW	Hydro	25	November 11, 2013
COC No. 13-11-GN-336-20035L	Hedcor, Inc.	Sal-angan	Hydroelectric Power Plant	Ampucao, Itogon, Benguet	2.40 MW	Hydro	25	November 11, 2013
COC No. 16-01-M-00032L	Hedcor, Inc.	Irisan 1	Hydroelectric Power Plant	Tuba, Benguet	3.8 MW	Hydro	25	January 27, 2016
COC No. 16-05-M-00061M	Hedcor, Inc.	Talomo 1	Hydroelectric Power Plant	Calinan, Davao City	1,000 kW	Hydro	20	May 4, 2016
COC No. 16-05-M-00062M	Hedcor, Inc.	Talomo 2	Hydroelectric Power Plant	Mintal Proper, Davao City	600 kW	Hydro	20	May 4, 2016

Title of Document	Issued under the name of	Power Plant						Date of Issuance/ Validity Period
		Name	Type	Location	Capacity	Fuel	Years of Service/ Term of COC	
COC No. 16-05-M-00063M	Hedcor, Inc.	Talomo 2A	Hydroelectric Power Plant	Upper Mintal, Davao City	650 kW	Hydro	20	May 4, 2016
COC No. 16-05-M-00064M	Hedcor, Inc.	Talomo 2B	Hydroelectric Power Plant	Upper Mintal, Davao City	300 kW	Hydro	20	May 4, 2016
COC No. 16-05-M-00065M	Hedcor, Inc.	Talomo 3	Hydroelectric Power Plant	Catalunan, Pequeño, Davao City	1,920 kW	Hydro	20	May 4, 2016
COC No. 16-03-M-00052L	Hedcor, Inc.	FLS Plant - 2*	Hydroelectric Power Plant	Poblacion, Bakun, Benguet	4.0 MW	Hydro	25	March 10, 2016
COC No. 13-110GN327-20026L	Hedcor, Inc.		Hydroelectric Power Plant	Poblacion, Bakun, Benguet	5.90 MW	Hydro	25	November 11, 2013
COC No. 13-11-GN 335-20034L	Hedcor, Inc.	Lower Labay	Hydroelectric Power Plant	Ampusongan, Bakun, Benguet	2.40 MW	Hydro	25	November 11, 2013
COC No. 13-11-GN 328-20027L	Hedcor, Inc.	Lon-oy	Hydroelectric Power Plant	Poblacion, Bakun, Benguet	3.60 MW	Hydro	25	November 11, 2013
COC No. 16-03-S-17273M	Hedcor Sibulan, Inc.	Darong	Diesel Engine	Brgy. Darong, Sta. Cruz, Davao del Sur	345.6 kW	Diesel	15	March 2, 2016
COC No. 16-03-S-17272M	Hedcor Sibulan , Inc.	Tibolo	Diesel Engine	Brgy. Tibolo, Sta. Cruz, Davao del Sur	306 kW	Diesel	15	March 2, 2016
COC No. 16-03-S-17269M	Hedcor, Inc.	Talomo 2	Diesel Engine	Proper Mintal, Davao City	20 kW	Diesel	15	March 2, 2016
COC No. 16-03-S-17271M	Hedcor, Inc.	La Trinidad (Beckel)	Diesel Engine	214 Beckel, La Trinidad, Benguet	216 kW	Diesel	15	March 2, 2016
COC No. 16-03-S-17270M	Hedcor, Inc.	Talomo 3	Diesel Engine	Brgy. Catalunan, Pequeño, Davao City	20 kW	Diesel	15	March 2, 2016
COC No. 15-04-S-00027L	Hedcor Sabangan, Inc.	N/A	Diesel Engine	Namatec, Sabangan, Mountain Province	80 kW	Diesel	25	April 28, 2015
COC No. 14-1-GXT-19483-20053M	Hedcor Tudaya, Inc.	N/A	Diesel	Brgy. Tudaya, Sta. Cruz, Davao del Sur	80 kW	Diesel	25	January 14, 2014

Title of Document	Issued under the name of	Power Plant						Date of Issuance/ Validity Period
		Name	Type	Location	Capacity	Fuel	Years of Service/ Term of COC	
COC No. 13-02-GXT-19345-19870L	Luzon Hydro Corporation - Alilem	N/A	Diesel Engine	Amilongan, Alilem, Ilocos Sur	572 kW	Diesel	15	February 27, 2013
COC No. 13-02- GXT-19346-19871L	Hedcor Inc. - Beckel	N/A	Diesel Engine	214 Ambuklao Road, Beckel, La Trinidad	188 kW	Diesel	15	February 27, 2013
COC No. 13-02- GXT-19344-19869L	Luzon Hydro Corporation - Bakun	N/A	Diesel Engine	Poblacion, Bakun	80 kW	Diesel	15	February 27, 2013
COC No. 15-05-M-56M	Hedcor Sibulan, Inc.	Sibulan A - Unit 1	Hydroelectric Power Plant	Brgy. Sibulan, Sta. Cruz, Davao del Sur	16.33 MW	Hydro	25	May 18, 2015
COC No. 15-05-M-54M	Hedcor Sibulan, Inc.	Sibulan B	Hydroelectric Power Plant	Brgy. Sibulan, Sta. Cruz, Davao del Sur	26.3 MW	Hydro	5	May 18, 2015
COC No. 14-03-GN 346-20102M	Hedcor Sibulan, Inc.	Tudaya 1	Hydroelectric Power Plant	Sitio Tudaya, Brgy. Sibulan, Sta. Cruz, Davao del Sur	6.65 MW	Hydro	25	March 10, 2014
COC No. 13-07-GXT 17-0017L	Luzon Hydro Corporation	Bakun AC	Hydroelectric Power Plant	Pilipil, Amilongan, Alilem, Ilocos Sur	74.80 MW	Hydro	25	July 22, 2013
COC No. 15-06-M-00013M	Hedcor Tudaya, Inc.	Tudaya 2	Hydroelectric Power Plant	Sta. Cruz, Davao del Sur	8.13 MW	Hydro	25	June 15, 2015
COC No. 15-09-M-00023L	Hedcor Sabangan, Inc.	Sabangan Hydroelectric Power Plant	Hydroelectric Power Plant	Brgy. Namatec, Sabangan, Mountain Province	14.96 MW	Hydro	25	September 29, 2015
COC No. 15-11-M-13701M	Davao Light & Power, Co.	Bajada Diesel Power Plant	Diesel Power Plant	J.P. Laurel Ave., Bajada, Davao City	58.70 MW	Diesel	20	November 26, 2015
			Blackstart		483.20 kW	Diesel	20	
Provisional Authority to Operate**	Cotabato Light and Power Company, Inc.	N/A	Bunker C-Fired Diesel Engine	CLPCI Compound, Sinsuat Ave., Cotabato City	9.927 MW	Diesel / Bunker C	25	November 29, 2016
			Blackstart		10 kW	Diesel	25	
COC No. 13-06-GXT 2-0002V	East Asia Utilities Corporation	N/A	Bunker C-Fired Power Plant	Barrio Ibo, Mactan Export Processing Zone 1 (MEPZ 1), Lapu-Lapu City, Cebu	49.60 MW	Bunker C	16	June 10, 2013

Title of Document	Issued under the name of	Power Plant						Date of Issuance/ Validity Period
		Name	Type	Location	Capacity	Fuel	Years of Service/ Term of COC	
COC No. 13-08-GXT 20-0020M	Western Mindanao Power Corporation	N/A	Bunker C-Fired Power Plant	Malasugat, Sangali, Zamboanga City	112.0 MW	BunkerC	24	August 5, 2013
		N/A	Blackstart		160 kW	Diesel	24	
COC No. 13-08-GXT 21-0021M	Southern Philippines Power Corporation	N/A	Bunker C-Fired Diesel Power Plant	Brgy. Baluntay, Alabel, Saranggani Province	61.72 MW	Bunker C/ Diesel	18	August 5, 2013
COC No. 15-11-M-2860L	SN Aboitiz Power – Magat, Inc.	Magat – Unit 1	Hydroelectric	Ramon, Isabela and A. Lista, Ifugao	90 MW	Hydro	25	November 11, 2015
		Magat – Unit 2			90 MW			
		Magat – Unit 3			90 MW			
		Magat – Unit 4			90 MW			
		Magat Hydroelectric Power Plant	Blackstart		600 kW	Diesel	25	
COC No. 15-04-M-309L	SN Aboitiz Power – Benguet, Inc. (Binga Hydroelectric Power Plant	Binga – Unit 1	Hydroelectric Power Plant	Brgy. Tinongdan, Itogon, Benguet	35 MW	Hydro	48	April 6, 2015
		Binga – Unit 2	Hydroelectric Power Plant		35 MW			
		Binga – Unit 3	Hydroelectric Power Plant		35 MW			
		Binga – Unit 4	Hydroelectric Power Plant		35 MW			
COC No. 16-08-M 00087L	SN Aboitiz Power – Benguet, Inc. (Ambuklao Hydroelectric Power Plant)	Ambuklao - Unit 1	Hydroelectric Power Plant	Brgy. Ambuklao, Bokod, Benguet	34.85 MW	Hydro	45	August 18, 2016
		Ambuklao - Unit 2	Hydroelectric Power Plant		34.85 MW			
		Ambuklao - Unit 3	Hydroelectric Power Plant		34.85 MW			
		Ambuklao Hydroelectric Power Plant	Auxilliary Generator Set		320 kW	Diesel	20	
		Ambuklao Hydroelectric Power Plant	Blackstart Generator Set		314 kW	Diesel	20	

Title of Document	Issued under the name of	Power Plant						Date of Issuance/ Validity Period
		Name	Type	Location	Capacity	Fuel	Years of Service/ Term of COC	
COC No. 16-06-M-00016M	STEAG State Power Inc.	N/A	Coal Fired	Phividec Industrial Estate, Balacanas, Villanueva, Misamis Oriental	232.00 MW	Coal	August 30, 2016 - August 29, 2021	June 13, 2016
			Emergency Generating Set		1.25 MW	Diesel		
COC No. 15-03-S-00013M	STEAG State Power Inc.	N/A	Diesel Engine	Phividec Industrial Estate, Balacanas, Villanueva, Misamis Oriental	400 kW	Diesel	25	March 25, 2015
COC No. 15-05-M-00007L	AP Renewables, Inc.	Makban – Bay, Plant A, Unit 1	Geothermal Power Plant	Brgy. Bitin, Bay, Laguna	63.2 MW	Geo-thermal Steam	23	May 4, 2015
		Makban – Bay, Plant A, Unit 2			63.2 MW			
		Makban – Bay, Plant D, Unit 7			20.0 MW			
		Makban – Bay, Plant D, Unit 8			20.0 MW			
COC No. 5-05-M-00008L	AP Renewables, Inc.	Makban – Calauan, Plant B, Unit 3	Geothermal Power Plant	Brgy. Limao, Tamlong, Calauan, Laguna	63.2 MW	Geo-thermal Steam	23	May 4, 2015
		Makban – Calauan, Plant B, Unit 4			63.2 MW			
		Makban – Calauan, Plant C, Unit 5			55.0 MW			
		Makban – Calauan, Plant C, Unit 6			55.0 MW			
COC No. 15-05-M-00009L	AP Renewables, Inc.	Makban – Sto. Tomas, Plant E, Unit 9	Geothermal Power Plant	Brgy. Sta. Elena, Sto. Tomas, Batangas	20.0 MW	Geo-thermal Steam	23	May 4, 2015
		Makban – Sto. Tomas, Plant E, Unit 10			20.0 MW			

Title of Document	Issued under the name of	Power Plant						Date of Issuance/ Validity Period
		Name	Type	Location	Capacity	Fuel	Years of Service/ Term of COC	
COC No. 15-11-M-00028L	AP Renewables, Inc.	Plant A, Unit 1	Geothermal Power Plant	Brgy. Naga, Tiwi, Albay	60 MW	Geo-thermal Steam	25	November 26, 2015
		Plant A, Unit 2			60 MW			
COC No. 15-11-M-286rL	AP Renewables, Inc.	Plant C, Unit 5	Geothermal Power Plant	Brgy. Cale, Tiwi, Albay	57 MW	Geo-thermal Steam	25	November 26, 2015
		Plant C, Unit 6			57 MW			
Provisional Authority to Operate***	AP Renewables, Inc.	Ormat – Makban Binary GPP (Binary 1)	Geothermal Power Plant	Brgy. Sta. Elena, Sto. Tomas, Batangas	7 MW	Geo-thermal Brine	N/A	November 7, 2016
COC No. 16-03-M-00286ggM	Therma Marine, Inc.	Mobile 1 (M1)	Diesel Power Plant	Brgy. San Roque, Maco, Compostela Valley	100.33 MW	Diesel	25	March 30, 2016
			Blackstart		1.68 MW	Diesel	5	
COC No. 16-03-M-00286bbM	Therma Marine, Inc.	Mobile 2 (M2)	Diesel Power Plant	Nasipit, Agusan del Norte	100.33 MW	Diesel	25	March 30, 2016
			Blackstart		1.68 MW	Diesel	5	
COC No. 13-07-GXT 305-19938L	Therma Mobile, Inc.	Barge 1/ Mobile 3	Bunker C-Fired Diesel Power Plant	Navotas Fish Port Complex, Navotas, Metro Manila	66 MW	Bunker C/ Diesel	15	July 1, 2013
COC No. 13-07-GXT 306-19939L	Therma Mobile, Inc.	Barge 2/ Mobile 4	Bunker C-Fired Diesel Power Plant	Navotas Fish Port Complex, Navotas, Metro Manila	67.2 MW	Bunker C/ Diesel	15	July 1, 2013
COC No. 13-07-GXT 307-19940L	Therma Mobile, Inc	Barge 3/ Mobile 5	Bunker C-Fired Diesel Power Plant	Navotas Fish Port Complex, Navotas, Metro Manila	57 MW	Bunker C/ Diesel	15	July 1, 2013
COC No. 13-07-GXT 308-19941L	Therma Mobile, Inc	Barge 4/ Mobile 6	Bunker C-Fired Diesel Power Plant	Navotas Fish Port Complex, Navotas, Metro Manila	52 MW	Bunker C/ Diesel	15	July 1, 2013
COC No. 15-09-M-00022M	Therma South, Inc.	Unit 1	Coal Fired Power Plant	Brgy. Binugao, Toril District, Davao City	150 MW	Coal	25	January 19, 2016
		Unit 2	Coal Fired Power Plant	Brgy. Binugao, Toril District, Davao City	150 MW	Coal	25	January 19, 2016

** The effective COC's since this plant was expanded.*
*** Cotabato Light was granted Provisional Authority to Operate until May 28, 2017.*
**** APRI was granted Provisional Authority to Operate until May 6, 2017.*

DISTRIBUTION BUSINESS

Under the EPIRA, the business of electricity distribution is a regulated public utility business that requires a national franchise that can be granted only by Congress. In addition to the legislative franchise, a CPCN from the ERC is also required to operate as a public utility. Except for Distribution Utilities operating within ecozones, all Distribution Utilities possess franchises granted by Congress.

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

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

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

** Pursuant to the Distribution Management Service Agreement (DMSA) with the Subic Bay Metropolitan Authority*

MEZ, BEZ and LEZ, which operate the power distribution utilities in MEPZ II, WCIP and LTC, respectively, are duly registered with PEZA as Ecozone Utilities Enterprises. Cotabato Light's franchise was renewed for another 25 years upon the signing of RA 10637 on June 16, 2014, by then President Benigno C. Aquino III.

SUPPLY BUSINESS

For a time, the business of supplying electricity was being undertaken solely by franchised distribution utilities. On July 26, 2013, the implementation of Open Access commenced in Luzon and Visayas. Like power generation, the business of supplying electricity is not considered a public utility operation under the EPIRA. It is, however, considered a business affected with public interest. As such, the EPIRA requires all suppliers of electricity to end-users in the contestable market, other than distribution utilities within their franchise areas, to obtain a license from the ERC in accordance with the ERC's rules and regulations. With the implementation of Open Access, AboitizPower's Subsidiaries, AESI, AdventEnergy and Prism Energy, obtained separate licenses to act as RES and Wholesale Aggregator.

BANKING AND FINANCIAL SERVICES

As banking institutions, the business operations of UnionBank and CitySavings are regulated by BSP, SEC and Philippine Deposit Insurance Commission (PDIC). CitySavings, as an accredited lender institution under DepEd's APDS, also has to comply with the policies issued by DepEd with regard to the setting of interest rates and other fees on loans to public school teachers.

PETNET, as a company engaged in money remittance, is required to obtain licenses from the BSP for its branches as well as to comply with the AMLA.

Trademarks

AEV and its Subsidiaries own, or have pending applications for the registration of intellectual property rights for various trademarks associated with their corporate names and logos. The following table sets out information regarding the trademark applications which AEV and its Subsdiaries have filed with the Philippine Intellectual Property Office (IP Office).

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
Cleanergy (Class No. 42)	Aboitiz Power Corporation	October 19, 2001	4-2001-07900 January 13, 2006	Application for trademark "Cleanergy"	Original Certificate of Registration was issued on January 13, 2006. The 3rd year Anniversary Declaration of Actual Use (DAU) was filed on November 11, 2004 with the IP Office. The 5th year Anniversary DAU was filed on December 27, 2011 with the IP Office. The 10th year Anniversary DAU and renewal of registration were filed on January 13, 2016.
Cleanergy and Device (Class No. 42)	Aboitiz Power Corporation	July 30, 2002	4-2002-06293 July 16, 2007	Application for trademark "Cleanergy and Device" with the representation of a light with bulb with three leaves attached to it, with the words "CLEANERGY" and a small "ABOITIZ" diamond logo below it.	Original Certificate of Registration was issued on July 16, 2007. The 3rd year Anniversary DAU was filed on June 28, 2005 with the IP Office. The 5th year Anniversary DAU was filed on July 15, 2013 with the IP Office. The 10th year Anniversary DAU and application for renewal of registration are due for filing on or before July 16, 2017.
A Better Future (Class No. 39, 40 and 42)	Aboitiz Power Corporation	April 23, 2010	4-2010-004383 November 11, 2010	Application for trademark "A Better Future"	Original Certificate of Registration was issued on November 11, 2010. The 3rd year Anniversary DAU was filed on April 23, 2013 with the IP Office. The 5th year Anniversary DAU was filed on October 26, 2016 with the IP Office. The 10th year Anniversary DAU and application for renewal are due for filing on or before November 11, 2020.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
Better Solutions (with color claim) (Class No. 39, 40 and 42)	Aboitiz Power Corporation	April 23, 2010	4-2010-004384 November 11, 2010	Application for trademark "Better Solutions"	Original Certificate of Registration was issued on November 11, 2010. The 3rd year Anniversary DAU was filed on April 23, 2013 with the IP Office. The 5th year Anniversary DAU was filed on October 26, 2016 with the IP Office. The 10th year Anniversary DAU and application for renewal are due for filing on or before November 11, 2020.
Cleanergy Get it and Device (with color claim) (Class No. 39, 40 and 42)	Aboitiz Power Corporation	April 23, 2010	4-2010-004381 November 11, 2010	Application for trademark "Cleanergy Get it and Device". The word "Cleanergy" with the phrase "get it" below it with both words endorsed by representation of a thumbs up sign. The whole mark is rendered in two shades of green.	Original Certificate of Registration was issued on November 11, 2010. The 3rd year Anniversary DAU was filed on April 23, 2013 with the IP Office. The 5th year Anniversary DAU was filed on October 26, 2016 with the IP Office. The 10th year Anniversary DAU and application for renewal are due for filing on or before November 11, 2020.
Aboitiz Power word mark (Class 39, 40 and 42)	Aboitiz Power Corporation	April 23, 2010	4-2010-004385 November 11, 2010	Application for "AboitizPower" word mark.	Original Certificate of Registration was issued on November 11, 2010. The 3rd year Anniversary DAU was filed on April 23, 2013 with the IP Office. The 5th year Anniversary DAU was filed on October 26, 2016. The 10th year Anniversary DAU and application for renewal are due for filing on or before November 11, 2020.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
Cleanergy got it & Device (with color claim) (Class 39, 40 and 42)	Aboitiz Power Corporation	April 23, 2010	4-2010-004382 November 11, 2010	Application for trademark “Cleanergy got it & device”. The word “Cleanergy” with the phrase “got it” below it with both words enclosed by a representation of a thumbs up sign. The whole mark is rendered in two shades of green.	Original Certificate of Registration was issued on November 11, 2010. The 3rd year Anniversary DAU was filed on April 23, 2013 with the IP Office. The 5th year Anniversary DAU was filed last October 26, 2016 with the IP Office. The 10th year Anniversary DAU and the application for renewal are due for filing on or before November 11, 2020.
AboitizPower Spiral Device (with color claim) (Class 39, 40 and 42)	Aboitiz Power Corporation	April 23, 2010	4-2010-004380 February 10, 2011	Application for trademark “AboitizPower Spiral and Device” The representation of a spiral rendered in blue.	Original Certificate of Registration was issued on February 10, 2011. The 3rd year Anniversary DAU was filed on April 23, 2013 with the IP Office. The 5th year Anniversary DAU was filed on February 3, 2017 with the IP Office.
AboitizPower and Device (with color claim) (Class 39, 40 and 42)	Aboitiz Power Corporation	April 23, 2010	4-2010-004379 February 10, 2011	Application for trademark “AboitizPower and Device” The words “Aboitiz” and “Power” rendered in two shades of blue with the representation of a spiral above the words “A Better Future” below it.	Original Certificate of Registration was issued on February 10, 2011. The 3rd year Anniversary DAU was filed on April 23, 2013 with the IP Office. The 5th year Anniversary DAU was filed on February 3, 2017 with the IP Office.
Alterspace (Class 9, 39 and 40)	Aboitiz Power Corporation	April 6, 2011	4-2011-003968 February 24, 2012	Application for “ALTERSPACE” word mark.	Original Certificate of Registration was issued on February 24, 2012. The 3rd year Anniversary DAU was filed on May 20, 2014 with the IP Office. The 5th year Anniversary DAU is due for filing on or before February 24, 2018.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
Alterspace and Device (with color claim) (Class 9, 39 and 40)	Aboitiz Power Corporation	May 31, 2011	4-2011-006291 December 22, 2011	Application for trademark "Alterspace and Device". A globe with the words "alter" and "space" inside an arrow circling the globe and separating the words. The globe is rendered in forest green, while the words and arrow are rendered in lime green.	Original Certificate of Registration was issued on December 22, 2011. The 3rd year Anniversary DAU was filed on May 20, 2014 with the IP Office. The 5th year Anniversary DAU is due for filing on or before December 22, 2017.
iEngage (Class No. 39, 40 and 42)	Aboitiz Power Corporation	February 7, 2014	04-2014-001638 August 28, 2014	Application for "iEngage" word mark.	Original Certificate of Registration was issued on August 28, 2014. The 3rd year Anniversary DAU is due for filing on or before February 7, 2017. This is for abandonment due to non-use.
Aboitiz Energy Solutions and Device (with color claim) (Class No. 42)	Aboitiz Energy Solutions, Inc.	January 25, 2007	4-2007-000784 September 3, 2007	Application for trademark ABOITIZ ENERGY SOLUTIONS and Device with color claim.	Original Certificate of Registration was issued on September 3, 2007. The 3rd year Anniversary DAU was filed on February 4, 2010 with the IP Office. The 5th year DAU was filed on August 30, 2013 with the IP Office. The 10th year DAU or application for renewal of registration are due for filing on or before September 3, 2017.
iEngage MyPortal (Class No.39, 40 and 42)	Aboitiz Power Corporation	February 7, 2014	04-2014-001637 August 28, 2014	Application for "iEngage MyPortal" word mark.	Original Certificate of Registration was issued on August 28, 2014. The 3rd year Anniversary DAU is due for filing on or before February 7, 2017. This is for abandonment due to non-use.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
iEngage MyBill (Class No.39, 40 and 42)	Aboitiz Power Corporation	February 7, 2014	04-2014-001636 August 28, 2014	Application for "iEngage MyBill" word mark.	Original Certificate of Registration was issued on August 28, 2014. The 3rd year Anniversary DAU is due for filing on or before February 7, 2017. This is for abandonment due to non-use.
iEngage MyTax (Class No. 39, 40 and 42)	Aboitiz Power Corporation	February 7, 2014	04-2014-001635 August 28, 2014	Application for "iEngage MyTax" word mark.	Original Certificate of Registration was issued on August 28, 2014. The 3rd year Anniversary DAU is due for filing on or before February 7, 2017. This is for abandonment due to non-use.
Subic Enerzone Corporation and Logo (with color claim) (Class No. 39)	Subic Enerzone Corporation	July 6, 2006	4-2006-007306 August 20,2007	Trademark application for Subic Enerzone Corporation and Logo (blue and yellow). The mark consists of the words "SUBIC ENERZONE" in fujiyama extra bold font with the word "CORPORATION" below it, also in fujiyama font, rendered in cobalt medium blue color, and a representation of the letter "S" taking the shape of a flame (the company logo) above the words. The logo is likewise rendered in the cobalt medium blue color in a yellow background.	Original Certificate of Registration was issued on August 20, 2007. The 3rd year Anniversary DAU was filed on July 6, 2009 with the IP Office. The 5th year Anniversary DAU was filed on June 5, 2013 with the IP Office. The 10th year Anniversary DAU and application for renewal of registration are due for filing on or before August 20, 2017.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
Subic Enerzone Corporation and Logo (plain only) (Class No. 39)	Subic Enerzone Corporation	July 6, 2006	4-2006-007305 August 20,2007	Trademark Application for Subic Enerzone Corporation wordmark and logo (gray). The mark consists of the words "SUBIC ENERZONE" in fujiyama extra bold font with the word "CORPORATION" below it, also in fujiyama font, and a representation of the letter "S" taking the shape of a flame (the company logo) above the words.	Original Certificate of Registration was issued on August 20, 2007. The 3rd year Anniversary DAU was filed on January 6, 2010 with the IP Office. The 5th year Anniversary DAU was filed on June 5, 2013 with the IP Office. The 10th year Anniversary DAU and application for renewal of registration are due for filing on or before August 20, 2017.
Subic Enerzone Corporation (wordmark) (Class No. 39)	Subic Enerzone Corporation	July 6, 2006	4-2006-007304 June 4, 2007	Trademark Application for Subic Enerzone Corporation (wordmark).	Original Certificate of Registration was issued on June 4, 2007. The 3rd Year Anniversary DAU was filed on July 6, 2009 with the IP Office. The 5th year Anniversary DAU was filed on June 4, 2013 with the IP Office. The 10th year Anniversary DAU and application for renewal of registration are due for filing on or before June 4, 2017.
"Driven to Lead. Driven to Excel. Driven to Serve." (word mark) (Class No. 30, 36, 37, 39, 40 and 42)	Aboitiz Equity Ventures, Inc.	January 30, 2012	4-2012-001132 June 21, 2012	Application for trademark "Driven to Lead. Driven to Excel. Driven to Serve." (word mark)	Original Certificate of Registration was issued on June 21, 2012. The 3rd year Anniversary DAU was filed on January 30, 2015 with the IP Office. The 5th Year Anniversary DAU is due for filing on or before June 21, 2018.
"Aboitiz Better Ways" (word mark) (Class No. 30, 31, 35, 36, 37, 39, 40 and 42)	Aboitiz Equity Ventures, Inc.	December 18, 2013	4-2013-015095 March 27, 2014	Application for trademark "Aboitiz Better Ways" (word mark)	Original Certificate of Registration was issued on March 27, 2014. The 3rd year Anniversary DAU was filed on December 12, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on or before March 27, 2020.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
"Aboitiz Better World" (word mark) (Class No. 30, 31, 35, 36, 37, 39, 40 and 42)	Aboitiz Equity Ventures, Inc.	December 18, 2013	4-2013-015094 March 27, 2014	Application for trademark "Aboitiz Better World" (word mark)	Original Certificate of Registration was issued on March 27, 2014. The 3rd year Anniversary DAU was filed on December 12, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on or before March 27, 2020 with the IP Office.
ABOITIZLAND GEOMETRIC SYMBOL LOGO (w/ color claim) (Class No. 35 and 37)	Aboitiz Land, Inc.	May 25, 2009	4-2009-005107 March 11, 2010	Application for trademark ABOITIZLAND GEOMETRIC SYMBOL LOGO (w/ color claim)	Original Certificate of Registration was issued on March 11, 2010. The 3rd year Anniversary DAU was filed on May 21, 2012 with the IP Office. The 5th Year Anniversary DAU was filed on March 10, 2016 with the IP Office. The 10th year Anniversary DAU and application for renewal of registration are due for filing on or before March 11, 2020.
ABOITIZLAND MADE FOR LIFE AND DEVICE (w/ color claim) (Class No. 35 and 37)	Aboitiz Land, Inc.	May 25, 2009	4-2009-005108 March 11, 2010	Application for trademark ABOITIZLAND MADE FOR LIFE AND DEVICE (w/ color claim)	Original Certificate of Registration was issued on March 11, 2010. The 3rd year Anniversary DAU was filed on May 21, 2012 with the IP Office. The 5th Year Anniversary DAU was filed on March 10, 2016 with the IP Office. The 10th year Anniversary DAU and application for renewal of registration are due for filing on or before March 11, 2020.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
ABOITIZLAND AND DEVICE (w/ color claim) (Class No. 35 and 37)	Aboitiz Land, Inc.	May 25, 2009	4-2009-005106 March 11, 2010	Application for trademark ABOITIZLAND AND DEVICE (w/ color claim)	Original Certificate of Registration was issued on March 11, 2010. The 3rd year Anniversary DAU was filed on May 21, 2012 with the IP Office. The 5th Year Anniversary DAU was filed on March 10, 2016 with the IP Office. The 10th year Anniversary DAU and application for renewal of registration are due for filing on or before March 11, 2020.
ABOITIZLAND (word mark) (Class No. 35 and 37)	Aboitiz Land, Inc.	July 14, 2009	4-2009-006961 April 15, 2010	Application for trademark "ABOITIZLAND" (word mark)	Original Certificate of Registration was issued on April 15, 2010. The 3rd year Anniversary DAU was filed on May 21, 2012 with the IP Office. The 5th year Anniversary DAU was filed on March 10, 2016. The 10th year Anniversary DAU and application for renewal are due for filing on or before April 15, 2020.
"THE OUTLETS" (word mark) (Class No. 16, 35 and 37)	Aboitiz Land, Inc.	April 11, 2014	04-2014-004494 February 26, 2015	Application for trademark "THE OUTLETS" (word mark)	Original Certificate of Registration was issued on February 26, 2015. The 3rd year Anniversary DAU is due for on or before April 11, 2017.
THE OUTLETS AND DEVICE (with color claim) (Class No. 16, 35 and 37)	Aboitiz Land, Inc.	April 11, 2014	4-2014-004493 December 4, 2014	Application for trademark THE OUTLETS AND DEVICE (w/ color claim)	Original Certificate of Registration was issued on December 4, 2014. The 3rd Year Anniversary DAU is due for filing on or before April 11, 2017.
FILIPINO NEW URBANISM (Class No. 37)	Aboitiz Land, Inc.	February 23, 2015	4-2015-001949 November 5, 2015	Application for trademark "FILIPINO NEW URBANISM"	Original Certificate of Registration was issued on November 5, 2015. The 3rd year Anniversary DAU is due for filing on or before February 23, 2018.
SANDS SEASIDE RESIDENCES (Class Nos. 16, 35, and 37)	Aboitiz Land, Inc.	October 14, 2016	4-2016-505383	Application for word mark "Sands Seaside Residences"	Application is pending with the IP Office.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
SANDS SEASIDE RESIDENCES AND DEVICE (Class Nos. 16, 35, and 37)	Aboitiz Land, Inc.	November 29, 2016	4-2016-506202	Application for the device mark "Sands Seaside Residences"	Application is pending with the IP Office.
AJOYA (Class Nos. 16, 35, and 37)	Aboitiz Land, Inc.	November 29, 2016	4-2016-506203	Application for the word mark "Ajoya"	Application is pending with the IP Office.
AJOYA AND DEVICE (Class Nos. 16, 35, and 37)	Aboitiz Land, Inc.	December 6, 2016	4-2016-506331	Application for the device mark "Ajoya"	Application is pending with the IP Office.
FORESSA (Class Nos. 16, 35, and 37)	Aboitiz Land, Inc.	December 6, 2016	4-2016-506331	Application for the word mark "Foressa"	Application is pending with the IP Office.
FORESSA MOUNTAIN TOWN AND DEVICE (Class Nos. 16, 35, and 37)	Aboitiz Land, Inc.	December 6, 2016	4-2016-506329	Application for the device mark "Foressa"	Application is pending with the IP Office.
LEKEITIO (Class Nos. 16, 35, and 37)	Aboitiz Land, Inc.	December 20, 2016	4-2016-506607	Application for the word mark "Lekeitio"	Application is pending with the IP Office.
PILMICO FOODS CORPORATION (Class No. 30)	Pilmico Foods Corporation	October 26, 1998	4-1998-007886 November 28, 2005	Application for trademark "PILMICO FOODS CORPORATION.	Original Certificate of Registration was renewed on November 28, 2015. The 5th year Anniversary Renewal DAU is due for filing IPO on or before November 28, 2021.
"SUN-MOON-STAR" (Class No. 30)	Pilmico Foods Corporation	January 2, 2002	4-2002-00524 October 2, 2006	Application for trademark "SUN-MOON-STAR "	Original Certificate of Registration was issued on October 2, 2006. The 3rd year Anniversary DAU was filed on January 21, 2005 with the IP Office. The 5th year Anniversary DAU was filed on May 4, 2012 with the IP Office. The 10th year Anniversary DAU and application for renewal of registration were filed on September 15, 2016 with the IP Office.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
“GOLD STAR AND DEVICE” (Class No. 30)	Pilmico Foods Corporation	January 2, 2002	4-2002-000525 August 17, 2006	Application for trademark “GOLD STAR AND DEVICE”	Original Certificate of Registration was issued on August 17, 2006. The 3rd year Anniversary DAU was on January 21, 2005 with the IP Office. The 5th year Anniversary DAU was filed on May 4, 2012 with the IP Office. The 10th year Anniversary DAU and application for renewal of registration were filed on August 4, 2016. This is pending approval of renewal of registration with the IP Office.
“SUNSHINE” (Class No. 30)	Pilmico Foods Corporation	April 17, 1996	4-1996-127942 October 15, 2007	Application for trademark “SUNSHINE”	Original Certificate of Registration was issued on October 15, 2007. The 3rd year Anniversary DAU was filed on November 29, 2001 with the IP Office. The 5th year Anniversary DAU was filed on May 17, 2013 with the IP Office. The 10th year Anniversary DAU and application for renewal of registration are due for filing on or before October 15, 2017.
“GLOWING SUN” (Class No. 30)	Pilmico Foods Corporation	November 13, 1998	4-1998-008409 October 2, 2006	Application for trademark “GLOWING SUN”	Original Certificate of Registration was issued on October 2, 2006. The 3rd year Anniversary DAU was filed on November 13, 2001 with the IP Office. The 5th year Anniversary DAU was filed on May 4, 2012 with the IP Office. The 10th year Anniversary DAU and application for renewal of registration were filed on September 29, 2016.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
KUTITAP AND DEVICE (Class No. 30)	Pilmico Foods Corporation	October 26, 2001	4-2001-008098 January 17, 2005	Application for trademark "KUTITAP AND DEVICE"	Original Certificate of Registration was issued on January 17, 2005. The 3rd year Anniversary DAU was filed on October 26, 2004 with the IP Office. The 5th year Anniversary DAU was filed on February 18, 2011 with the IP Office. The 10th year Anniversary DAU and renewal of registration were filed on January 17, 2015 with the IP Office. The 5th year Anniversary DAU, after renewal, is due for filing on or before January 17, 2021.
KUTITAP (with color claim) (Class No. 30)	Pilmico Foods Corporation	January 22, 2002	4-2002-000523 December 5, 2004	Application for trademark "KUTITAP"	Original Certificate of Registration was issued on December 5, 2004. The 3rd year Anniversary DAU was filed on January 21, 2005 with the IP Office. The 5th year Anniversary DAU was filed on January 11, 2010 with the IP Office. The 10th year Anniversary DAU and renewal of registration were filed on December 4, 2014 with the IP Office. The 5th year Anniversary DAU, after renewal, is due for filing on or before December 4, 2020.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
MEGA STAR AND DEVICE (Class No. 30)	Pilmico Foods Corporation	August 2, 2002	4-2002-006424 November 28, 2005	Application for trademark MEGA STAR AND DEVICE	Original Certificate of Registration was issued on November 28, 2005. The 3rd year Anniversary DAU was filed on August 2, 2005 with the IP Office. The 5th year Anniversary DAU was filed on September 1, 2011 with the IP Office. The 10th year Anniversary DAU and application for renewal of registration were filed on November 27, 2015.
SUNFLOUR AND DESIGN (Class No. 30)	Pilmico Foods Corporation	June 8, 2007	04-2007-005916 May 5, 2008	Application for trademark SUNFLOUR AND DESIGN	Original Certificate of Registration was issued on May 5, 2008. The 3rd year Anniversary DAU was filed on June 8, 2010 with the IP Office. The 5th year Anniversary DAU was filed on March 7, 2013 with the IP Office. The 10th year Anniversary DAU and application for renewal of registration are due for filing on or before May 5, 2018.
PILMICO FLOUR (Class No. 30)	Pilmico Foods Corporation	December 19, 2008	4-2008-015334 July 30, 2009	Application for trademark "PILMICO FLOUR"	Original Certificate of Registration was issued on July 30, 2009. The 3rd year Anniversary DAU was filed on October 18, 2011 with the IP Office. The 5th year Anniversary DAU was filed on July 23, 2004 with the IP Office. The 10th year Anniversary DAU and application for renewal of registration are due for filing on or before July 30, 2019.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
PILMICO 'M' handshake (Class No. 30)	Pilmico Foods Corporation	October 13, 2009	4-2009-010359 August 12, 2010	Application for trademark PILMICO 'M' handshake	Original Certificate of Registration was issued on August 12, 2010. The 3rd year Anniversary DAU was filed on September 11, 2012 with the IP Office. The 5th year Anniversary DAU was filed on August 1, 2016 with the IP office. The 10th year Anniversary DAU and application for renewal are due for filing on or before August 12, 2020.
"Silver Star" wordmark (Class No. 30)	Pilmico Foods Corporation	August 31, 2011	04-2011-010284 February 24, 2012	Application for trademark "Silver Star" wordmark	Original Certificate of Registration was issued on February 24, 2012. The 3rd year Anniversary DAU was filed on August 22, 2014 with the IP Office. The 5th year Anniversary DAU is due for filing on or before February 24, 2018.
Silver Star Logo (with color claim) (Class No. 30)	Pilmico Foods Corporation	September 13, 2011	04-2011-010919 January 31, 2012	Application for trademark Silver Star Logo	Original Certificate of Registration was issued on January 13, 2012. The 3rd year Anniversary DAU was filed on September 13, 2014 with the IP Office. The 5th year Anniversary DAU is due for filing on or before January 13, 2018
SUN STREAM HARD WHEAT FLOUR (Class No. 30)	Pilmico Foods Corporation	June 10, 2013	4-2013-006659 February 20, 2014	Application for trademark SUN STREAM HARD WHEAT FLOUR	Original Certificate of Registration was issued on February 20, 2014. The 3rd year Anniversary DAU was filed on December 12, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on or before February 20, 2020.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
SUN RAYS HARD WHEAT FLOUR (Class No. 30)	Pilmico Foods Corporation	June 10, 2013	4-2013-006662 February 20, 2014	Application for trademark SUN RAYS HARD WHEAT FLOUR	Original Certificate of Registration was issued on February 20, 2014. The 3rd year Anniversary DAU was filed on December 12, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on or before February 20, 2020..
STAR BEAM SOFT WHEAT FLOUR (Class No. 30)	Pilmico Foods Corporation	June 10, 2013	4-2013-006658 December 26, 2013	Application for trademark STAR BEAM SOFT WHEAT FLOUR	Original Certificate of Registration was issued on December 26, 2013. The 3rd year Anniversary DAU was filed on December 10, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on or before February 20, 2019.
STAR BLAZE SOFT WHEAT FLOUR (Class No. 30)	Pilmico Foods Corporation	June 10, 2013	4-2013-006663 February 20, 2014	Application for trademark STAR BLAZE SOFT WHEAT FLOUR	Original Certificate of Registration was issued on February 20, 2014. The 3rd year Anniversary DAU was filed on December 10, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on or before February 20, 2020.
LUNA CAKE FLOUR (Class No. 30)	Pilmico Foods Corporation	June 10, 2013	4-2013-006661 February 20, 2014	Application for trademark LUNA CAKE FLOUR	Original Certificate of Registration was issued on February 20, 2014. The 3rd year Anniversary DAU was filed on December 12, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on or before February 20, 2020.
SUN STREAM HARD WHEAT FLOUR (Class No. 30)	Pilmico Foods Corporation	June 10, 2013	4-2013-006659 February 20, 2014	Application for trademark SUN STREAM HARD WHEAT FLOUR	Original Certificate of Registration was issued on February 20, 2014. The 3rd year Anniversary DAU was filed on December 12, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on or before February 20, 2020.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
PILMICO (Class No. 31)	Pilmico Foods Corporation	August 7, 2013	4-2013-00009422 December 26, 2013	Application for trademark PILMICO	Original Certificate of Registration was issued on December 26, 2013. The 3rd year Anniversary DAU was filed on August 7, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on or before December 26, 2019.
PILMICO FLOUR (Class No. 31)	Pilmico Foods Corporation	August 7, 2013	4-2013-00009423 20-Feb-14	Application for trademark PILMICO FLOUR	Original Certificate of Registration was issued on February 20, 2014. The 3rd year Anniversary DAU was filed on August 7, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on or before February 20, 2020.
MAHALIN PAGKAING ATIN LOGO (Class No. 29, 30 and 31)	Pilmico Foods Corporation	March 4, 2015	4-2015-002322 July 2, 2015	Application for trademark Mahalin Pagkaing Atin Logo. The mark consists of images of two eggs, bread, ham and whole dressed chicken (from left to right) in a basket is embraced by a human represented by a heart-shaped figure with a circle on top. The words Mahalin Pagkaing Atin in curvy letter forms are located below the images. The images and words are in WHITE color drawn on a CYAN background.	Original Certificate of Registration was issued on 02 July 2015. The 3rd year Anniversary DAU is due for filing on or before March 4, 2018.
ENERBUN (Class No. 29, 30 and 31)	Pilmico Foods Corporation	March 4, 2015	4-2015-002323 July 2, 2015	Application for trademark ENERBUN.	Original Certificate of Registration was issued on July 2, 2015. The 3rd year Anniversary DAU is due for filing on or before March 4, 2018.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
ENERBUNNIES (Class No. 29, 30 and 31)	Pilmico Foods Corporation	March 4, 2015	4-2015-002324 July 2, 2015	Application for trademark ENERBUNNIES.	Original Certificate of Registration was issued on July 2, 2015. The 3rd year Anniversary DAU is due for filing on or before March 4, 2018.
SUN BEAM (Class No. 30)	Pilmico Foods Corporation	November 27, 2015	4-2015-013643 April 7, 2016	Application for trademark SUN BEAM	Original Certificate of Registration was issued on April 7, 2016. The 3rd year Anniversary DAU is due for filing on or before November 27, 2018.
SUNLIGHT (Class No. 30)	Pilmico Foods Corporation	November 27, 2015	4-2015-013644 September 1, 2016	Application for trademark SUNLIGHT	Original Certificate of Registration was issued on September 1, 2016. The 3rd year Anniversary DAU is due for filing on or before November 27, 2018.
KIRA (Class No. 30)	Pilmico Foods Corporation	November 27, 2015	4-2015-013645 April 1, 2016	Application for trademark KIRA	Original Certificate of Registration was issued on April 7, 2016. The 3rd year Anniversary DAU is due for filing on or before November 27, 2018.
MOON BEAM (Class No. 30)	Pilmico Foods Corporation	November 27, 2015	4-2015-013642 April 7, 2016	Application for trademark MOON BEAM	Original Certificate of Registration was issued on April 7, 2016. The 3rd year Anniversary DAU is due for filing on or before November 27, 2018.
NUTRA BITE word mark (Class No. 30)	Pilmico Foods Corporation	August 30, 2016	4-2016-504397 November 24, 2016	Application for word mark "Nutra Bite"	Original Certificate of Registration was issued on November 24, 2016. The 3rd year Anniversary DAU is due for filing on or before August 30, 2019.
THE CARE PACKAGE (Class Nos. 30, 35, 41, 44, 45)	Pilmico Foods Corporation	August 30, 2016	4-2016-504400	Application for the word mark "The Care Package"	The application which was filed on August 30, 2016 is pending with the IP Office.
THE CARE PACKAGE (Class Nos. 30, 35, 41, 44, 45)	Pilmico Foods Corporation	August 30, 2016	4-2016-504398	Application for the word mark "WOODEN SPOON" for additional classes Nos. 35 and 43.	The application which was filed on August 30, 2016 is pending with the IP Office.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
WOODEN SPOON word mark (additional classes – Class Nos. 35, 43)	Pilmico Foods Corporation	August 30, 2016	4-2016-504396	Application for the word mark "WOODEN SPOON" for additional classes Nos. 35 and 43.	The application which was filed on August 30, 2016 is pending with the IP Office.
WOODEN SPOON AND DEVICE (additional classes – Class Nos. 35, 43)	Pilmico Foods Corporation	August 30, 2016	4-2016-504399	Application for the device mark "WOODEN SPOON" for additional classes Nos. 35 and 43.	The application which was filed on August 30, 2016 is pending with the IP Office.
PILMICO word mark (Class Nos. 5, 29, 30, 31, 35, 43, and 44)	Pilmico Foods Corporation	September 21, 2016	4-2016-504847	Application for the word mark "PILMICO"	The application which was filed on September 21, 2016 is pending with the IP Office.
"PIGROW" (logo with color claim) (Class No. 31 and 34)	Filagri, Inc.	February 28, 2012	4-2012-002465 September 28, 2012	Application for trademark "PIGROW" (logo with color claim)	Original Certificate of Registration was issued on September 28, 2012. The 3rd year Anniversary DAU was filed on February 28, 2015 with the IP Office. The 5th year Anniversary DAU is due for filing on or before September 28, 2018.
"PIGROW MATERNA" wordmark (Class No. 31 and 44)	Filagri, Inc.	February 28, 2012	4-2012-002463 May 24, 2012	Application for trademark "PIGROW MATERNA" wordmark	Original Certificate of Registration was issued on May 24, 2012. The 3rd year Anniversary DAU was filed on February 27, 2015 with the IP Office. The 5th year Anniversary DAU is due for filing on or before May 24, 2018.
PORK SOLUTIONS (Class No. 31)	Pilmico Animal Nutrition Corporation	January 4, 2006	4-2006-000130 August 20, 2007	Application for trademark PORK SOLUTIONS	Original Certificate of Registration was issued on August 20, 2007. The 3rd year Anniversary DAU was filed on January 5, 2009 with the IP Office. The 5th year Anniversary DAU was filed on October 19, 2012 with the IP Office. The 10th year Anniversary DAU and application for renewal of registration are due for filing on or before August 20, 2017.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
FARM SOLUTIONS (Class No. 31)	Pilmico Animal Nutrition Corporation	January 4, 2006	4-2006-000131 August 20, 2007	Application for trademark FARM SOLUTIONS	Original Certificate of Registration was issued on August 20, 2007. The 3rd year Anniversary DAU was filed on January 4, 2009 with the IP Office. The 5th year Anniversary DAU was on August 20, 2013 with the IP Office. The 10th year Anniversary DAU and application for renewal of registration are due for filing on or before August 20, 2017.
POULTRY SOLUTIONS (Class No. 31)	Pilmico Animal Nutrition Corporation	January 4, 2006	4-2006-000132 August 20, 2007	Application for trademark POULTRY SOLUTIONS	Original Certificate of Registration was issued on August 20, 2007. The 3rd year Anniversary DAU was filed with on January 5, 2009 with the IP Office. The 5th year Anniversary DAU was filed on October 19, 2012 with the IP Office. The 10th year Anniversary DAU and application for renewal of registration are due for filing on or before August 20, 2017.
CIVIC (Class No. 31)	Pilmico Animal Nutrition Corporation	August 10, 2012	4-2012-00009841 June 6, 2013	Application for trademark CIVIC	Original Certificate of Registration was issued on June 6, 2013. The 3rd year Anniversary DAU was filed on August 10, 2015 with the IP Office. The 5th year Anniversary DAU is due for filing on or before June 6, 2019.
TAMERA (Class No. 31)	Pilmico Animal Nutrition Corporation	August 10, 2012	4-2012-00009856 June 6, 2013	Application for trademark TAMERA	Original Certificate of Registration was issued on June 6, 2013. The 3rd year Anniversary DAU was filed on August 10, 2015 with the IP Office. The 5th year Anniversary DAU is due for filing on or before June 6, 2019.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
PILMICO ANIMAL NUTRITION (Class No. 31)	Pilmico Animal Nutrition Corporation	August 10, 2012	4-2012-00009849 June 6, 2013	Application for trademark PILMICO ANIMAL NUTRITION	Original Certificate of Registration was issued on June 6, 2013. The 3rd year Anniversary DAU was filed on August 10, 2015 with the IP Office. The 5th year Anniversary DAU is due for filing on or before June 6, 2019.
AQUAMAX (Class No. 31)	Pilmico Animal Nutrition Corporation	August 10, 2012	4-2012-00009857 June 6, 2013	Application for trademark AQUAMAX	Original Certificate of Registration was issued on June 6, 2013. The 3rd year Anniversary DAU was filed on February 10, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on or before June 6, 2019.
CLASSIC (Class No. 31)	Pilmico Animal Nutrition Corporation	August 10, 2012	4-2012-009844 April 14, 2013	Application for trademark CLASSIC	Original Certificate of Registration was issued on April 14, 2013. The 3rd year Anniversary DAU was filed on August 10, 2015 with the IP Office. The 5th year Anniversary DAU is due for filing on or before April 14, 2019.
ULTIMAX (Class No. 31)	Pilmico Animal Nutrition Corporation	August 10, 2012	4-2012-009845 April 14, 2013	Application for trademark ULTIMAX	Original Certificate of Registration was issued on April 14, 2013. The 3rd year Anniversary DAU was filed on August 10, 2015 with the IP Office. The 5th year Anniversary DAU is due for filing on or before April 14, 2019.
POULTRY EXPRESS (Class No. 31)	Pilmico Animal Nutrition Corporation	August 10, 2012	4-2012-009847 April 14, 2013	Application for trademark POULTRY EXPRESS	Original Certificate of Registration was issued on April 14, 2013. The 3rd year Anniversary DAU was filed on August 10, 2015 with the IP Office. The 5th year Anniversary DAU is due for filing on or before April 14, 2019.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
ELITE (Class No. 31)	Pilmico Animal Nutrition Corporation	August 10, 2012	4-2012-009843 April 14, 2013	Application for trademark ELITE	Original Certificate of Registration was issued on April 14, 2013. The 3rd year Anniversary DAU was filed on August 10, 2015 with the IP Office. The 5th year Anniversary DAU is due for filing on or before April 14, 2019.
ALAS NG SALTO (Class No. 31)	Pilmico Animal Nutrition Corporation	September 25, 2012	4-2012-011803 February 28, 2013	Application for trademark ALAS NG SALTO	Original Certificate of Registration was issued on February 28, 2013. The 3rd year Anniversary DAU was filed on August 5, 2015 with the IP Office. The 5th year Anniversary DAU is due for filing on or before February 28, 2019.
AVE MAX (Class No. 31)	Pilmico Animal Nutrition Corporation	August 10, 2012	4-2012-009848 February 8, 2013	Application for trademark AVE MAX	Original Certificate of Registration was issued on February 8, 2013. The 3rd year Anniversary DAU was filed on August 10, 2015 with the IP Office. The 5th year Anniversary DAU is due for filing on or before February 8, 2019.
SALTO (Class No. 31)	Pilmico Animal Nutrition Corporation	August 10, 2012	4-2012-009850 February 8, 2013	Application for trademark SALTO	Original Certificate of Registration was issued on February 8, 2013. The 3rd year Anniversary DAU was filed on August 10, 2015 with the IP Office. The 5th year Anniversary DAU is due for filing on or before February 8, 2019.
ANGAT SARADO (Class No. 31)	Pilmico Animal Nutrition Corporation	August 10, 2012	4-2012-009852 February 8, 2013	Application for trademark ANGAT SARADO	Original Certificate of Registration was issued on February 8, 2013. The 3rd year Anniversary DAU was filed on August 10, 2015 with the IP Office. The 5th year Anniversary DAU is due for filing on or before February 8, 2019.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
BASIC (Class No. 31)	Pilmico Animal Nutrition Corporation	August 10, 2012	4-2012-009853 February 8, 2013	Application for trademark BASIC	Original Certificate of Registration was issued on February 8, 2013. The 3rd year Anniversary DAU was filed on August 10, 2015 with the IP Office. The 5th year Anniversary DAU is due for filing on or before February 8, 2019.
LAKAS GATAS (Class No. 31)	Pilmico Animal Nutrition Corporation	August 10, 2012	4-2012-009842 February 8, 2013	Application for trademark LAKAS GATAS	Original Certificate of Registration was issued on February 8, 2013. The 3rd year Anniversary DAU was filed on August 10, 2015 with the IP Office. The 5th year Anniversary DAU is due for filing on or before February 8, 2019.
GALLIMAX (Class No. 31)	Pilmico Animal Nutrition Corporation	August 10, 2012	4-2012-009846 February 8, 2013	Application for trademark GALLIMAX	Original Certificate of Registration was issued on February 8, 2013. The 3rd year Anniversary DAU was filed on August 10, 2015 with the IP Office. The 5th year Anniversary DAU is due for filing on or before February 8, 2019.
SUPREMECON (Class No. 31)	Pilmico Animal Nutrition Corporation	March 21, 2011	4-2011-003166 July 22, 2011	Application for trademark SUPREMECON	Original Certificate of Registration was issued on July 22, 2011. The 3rd year Anniversary DAU was filed on March 21, 2014 with the IP Office. The 5th year Anniversary DAU is due for filing on or before July 22, 2017.
POWERMIX (Class No. 31)	Pilmico Animal Nutrition Corporation	June 10, 2011	4-2011-006860 January 13, 2012	Application for trademark POWERMIX	Original Certificate of Registration was issued on January 13, 2012. The 3rd year Anniversary DAU was filed on June 10, 2014 with the IP Office. The 5th year Anniversary DAU is due for filing on or before January 13, 2018.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
PILMICO FEEDS (Class No. 31)	Pilmico Animal Nutrition Corporation	September 8, 2011	4-2013-010731 March 8, 2012	Application for trademark PILMICO FEEDS	Original Certificate of Registration was issued on March 8, 2012. The 3rd year Anniversary DAU was filed on September 8, 2014 with the IP Office. The 5th year Anniversary DAU is due for filing on or before March 8 2018.
XPRESS (Class No. 31)	Pilmico Animal Nutrition Corporation	June 24, 2013	4-2013-007288 December 26, 2013	Application for trademark XPRESS	Original Certificate of Registration was issued on December 26, 2013. Abandoned.
POWERGUARD (Class No. 31)	Pilmico Animal Nutrition Corporation	June 24, 2013	4-2013-007289 December 26, 2013	Application for trademark POWERGUARD	Original Certificate of Registration was issued on December 26, 2013. Abandoned.
INFEED DEWORMER (Class No. 31)	Pilmico Animal Nutrition Corporation	June 24, 2013	4-2013-007290 March 13, 2014	Application for trademark INFEED DEWORMER	Original Certificate of Registration was issued on March 13, 2014. Abandoned.
GROW YOUR PROFIT – TAGLINE (Class No. 31 and 34)	Pilmico Animal Nutrition Corporation	July 3, 2013	4-2013-007729 December 26, 2013	Application for trademark GROW YOUR PROFIT - TAGLINE	Original Certificate of Registration was issued on December 26, 2013. The 3rd year Anniversary DAU was filed on June 22, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on or before December 26, 2019.
PARTNERS FOR GROWTH (Class No. 31)	Pilmico Animal Nutrition Corporation	January 15, 2010	4-2010-000543 July 16, 2010	Application for trademark PARTNERS FOR GROWTH	Original Certificate of Registration was issued July 16, 2010. The 3rd year Anniversary DAU was filed on January 15, 2013 with the IP Office. The 5th year Anniversary DAU was filed on June 22, 2016 with the IP Office. The 10th year Anniversary DAU and application for renewal are due for filing on or before July 16, 2020.
P-NOX (Class No. 31)	Pilmico Animal Nutrition Corporation	June 26, 2013	4-2013-0007450 December 26, 2013	Application for trademark P-NOX	Original Certificate of Registration was issued December 26, 2013. Abandoned.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
PILMICO FARMS LOGO (Class No. 31)	Pilmico Animal Nutrition Corporation	August 7, 2013	4-2013-009415 April 17, 2014	Application for trademark PILMICO FARMS LOGO	Original Certificate of Registration was issued April 17, 2014. The 3rd year Anniversary DAU was filed on August 5, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on or before April 17, 2020.
PILMICO FEEDS (Class No. 31 and 44)	Pilmico Animal Nutrition Corporation	August 7, 2013	4-2013-009416 April 17, 2014	Application for trademark PILMICO FEEDS	Original Certificate of Registration was issued April 17, 2014. The 3rd year Anniversary DAU was filed on August 5, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on or before April 17, 2020.
GROWING PIG LOGO (Class No. 31 and 44)	Pilmico Animal Nutrition Corporation	August 7, 2013	4-2013-009417 April 17, 2014	Application for trademark GROWING PIG LOGO	Original Certificate of Registration was issued on April 17, 2014. The 3rd year Anniversary DAU was filed on August 6, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on or before April 17, 2020.
GROWING CHICKEN LOGO (Class No. 31 and 44)	Pilmico Animal Nutrition Corporation	August 7, 2013	4-2013-009418 April 17, 2014	Application for trademark GROWING CHICKEN LOGO	Registration was issued on April 17, 2014. The 3rd year Anniversary DAU was filed on August 5, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on or before April 17, 2020.
GROWING QUAIL LOGO (Class No. 31 and 44)	Pilmico Animal Nutrition Corporation	August 7, 2013	4-2013-009419 April 17, 2014	Application for trademark GROWING QUAIL LOGO	Original Certificate of Registration was issued on April 17, 2014. The 3rd year Anniversary DAU was filed on August 6, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on or before April 17, 2020.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
GROWING PIGEON LOGO (Class No. 31 and 44)	Pilmico Animal Nutrition Corporation	August 7, 2013	4-2013-009420 April 17, 2014	Application for trademark GROWING PIGEON LOGO	Original Certificate of Registration was issued on April 17, 2014. The 3rd year Anniversary DAU was filed on August 7, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on or before April 17, 2020.
GROWING DUCK LOGO (Class No. 31 and 44)	Pilmico Animal Nutrition Corporation	August 7, 2013	4-2013-009421 December 26, 2013	Application for trademark GROWING DUCK LOGO	Original Certificate of Registration was issued on December 26, 2013. The 3rd year Anniversary DAU was filed on August 7, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on or before December 26, 2019.
POWERHEAL (Class No. 5 and 31)	Pilmico Animal Nutrition Corporation	December 16,2013	4-2013-014947	Application for trademark POWERHEAL	Trademark application was filed on December 16, 2013 with the IP Office. An opposition from Unahco, Inc. was filed on April 11, 2014. The Opposition was denied on April 7, 2016 by the Bureau of Legal Affairs of the IP Office. The motion for extension of time to file the 3rd year Anniversary DAU, until May 22, 2017, was filed.
POWERBOOST (Class No. 31)	Pilmico Animal Nutrition Corporation	September 29, 2016	4-2016-505003	Application for word mark “POWERBOOST”	Trademark application was filed on September 29, 2016 with the IP Office. Application is pending with the IP Office.
POWERBOOST AND PIG DEVICE (Class No. 31)	Pilmico Animal Nutrition Corporation	September 29, 2016	4-2016-505000	Application for “POWERBOOST and PIG” logo.	Trademark application was filed on September 29, 2016 with the IP Office. Application is pending with the IP Office.
POWERBOOST AND ROOSTER DEVICE (Class No. 31)	Pilmico Animal Nutrition Corporation	September 29, 2016	4-2016-504998	Application for “POWERBOOST and ROOSTER” logo.	Trademark application was filed on September 29, 2016 with the IP Office. Application is pending with the IP Office.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
POWERBOOST DEVICE (Class 31)	Pilmico Animal Nutrition Corporation	September 29, 2016	4-2016-505001	Application for "POWERBOOST" device.	Trademark application was filed on September 29, 2016 with the IP Office. Application is pending with the IP Office.
IMMUNODIGEST (Class Nos,.)	Pilmico Animal Nutrition Corporation	September 29, 2016	4-2016-505002	Application for "Immunodigest" word mark.	Trademark application was filed on September 29, 2016 with the IP Office. Application is pending with the IP Office.
"Mata ng Bagyo." (word mark) (Class No. 42)	Weather Philippines Foundation, Inc.	April 15, 2013	4-2013-004262 October 31, 2013	Application for trademark "Mata ng Bagyo." (word mark)	Original Certificate of Registration was issued on October 31, 2013. The 3rd year Anniversary DAU was filed on March 17, 2016 with the IP Office.
"Weather Philippines and Logo" (with color claim) (Class No. 42)	Weather Philippines Foundation, Inc.	March 18, 2013	4-2013-002959 August 13, 2015	Application for trademark "Weather Philippines and Logo" (with color claim)	Original Certificate of Registration was issued on August 13, 2015 The 3rdyear Anniversary DAU was filed on March 17, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on or before August 13, 2021.
"My Philippines. My Weather." (wordmark) (Class No. 42)	Weather Philippines Foundation, Inc.	March 18, 2013	4-2013-002961 August 13, 2015	Application for trademark "My Philippines. My Weather." (wordmark)	Original Certificate of Registration was issued on August 13, 2015. The 3rd year Anniversary DAU was filed on March 17, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on or before August 13, 2021.
"Payong Panahon" (wordmark) (Class No. 42)	Weather Philippines Foundation, Inc.	April 15, 2013	4-2013-004261 October 15, 2015	Application for trademark "Payong Panahon" (wordmark)	Original Certificate of Registration was issued on October 15, 2015. The 3rd year Anniversary DAU was filed on March 17, 2016 with the IP Office. The 5th year Anniversary is due for filing on or before October 15, 2021.
"Weather Philippines #WeatherWiser Nation" (word mark) (Class No. 42)	Weather Philippines Foundation, Inc.	December 15, 2014	4-2014-015257 July 2, 2015	Application for trademark "WeatherPhilippines #WeatherWiser Nation" (word mark)	Original Certificate of Registration was issued on July 2, 2015. The 3rd year Anniversary DAU is due for filing on or before December 15, 2017.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
Financial Services Money Transfer and Remittance (Class No. 36)	PETNET, Inc.	February 4, 2016	04-2016-001241 October 6, 2016	Application for Trademark for "Pera Hub"	Original Certificate of Registration was issued on October 6, 2016. The 3rd year Anniversary DAU is due for filing on or before February 4, 2019.
"WOODEN SPOON" (Class No. 30)	Pilmico Foods Corporation	March 15, 1991	4-1991-00054939 May 4, 1993	Application for trademark "WOODEN SPOON"	Original Certificate of Registration was issued on May 4, 1993. The 3rd year Anniversary DAU was filed on May 3, 1996 with the IP Office. The 5th year Anniversary DAU was filed on March 22, 1999 with the IP Office. The 10th year Anniversary DAU was filed on January 7, 2004 with the IP Office. The 15th year Anniversary DAU was filed on May 4, 2009 with the IP Office. The 20th year Anniversary DAU was filed on May 4, 2013 with the IP Office. The Petition for Renewal of Registration was filed on May 6, 2013 with the IP Office. The 5th year Anniversary DAU, after renewal, is due for filing on or before May 4, 2019.

International Trademarks Application (Madrid Protocol)

Trademarks	Applicant	Date Filed	Country of Application	Status
Cleanergy (Class No. 39, 40 & 42)	Aboitiz Power Corporation	June 24, 15	Indonesia	Trademark application with the Indonesia Trademark Office was filed on June 24, 2015. Ongoing registration process.
Star Beam Soft Wheat Flour (#1171572) (Class No. 30)	Pilmico Foods Corporation	July 9, 2013	Singapore	The Intellectual Property Office of Singapore (IPOS) in its Statement of Grant of Protection dated October 20, 2014 approved Pilmico's trademark application effective July 9, 2013 and valid for ten years.
			Turkey	Turkey Intellectual Property Office (TIPO) issued Grant of Protection on July 9, 2013 and valid for ten years.
			Vietnam	The International Bureau was notified by the Office of Vietnam of its approval for Pilmico's trademark application effective July 09, 2013 and valid for ten years.
			South Korea	Korean Intellectual Property Office (KIPO) in its Statement of Grant of Protection dated May 15, 2014 approved Pilmico's trademark application effective July 09, 2013 and valid for ten years.
			China	Subsequent designation was published in WIPO Gazette on June 2, 2016. China has 18 months therefrom to issue a provisional refusal.
Sun Stream Hard Wheat Flour (#1173340) (Class No. 30)	Pilmico Foods Corporation	July 9, 2013	Singapore	IPOS in its Statement of Grant of Protection dated October 20, 2014 approved Pilmico's trademark application effective October 20, 2014 and valid for ten years.
			Turkey	The Turkish Patent Institute Trademarks Department in its Statement dated 10 September 2014 granted protection to Pilmico's trademark application effective September 10, 2014 and valid for a ten years.
			Vietnam	The International Bureau was notified by the Office of Vietnam of its approval for Pilmico's trademark application effective July 09, 2013 and valid for ten years.
			South Korea	KIPO in its Statement of Grant of Protection dated May 15, 2014 approved Pilmico's trademark application effective July 09, 2013 and valid for ten years.
			China	Subsequent designation was published in WIPO Gazette on June 2, 2016. China has 18 months therefrom to issue a provisional refusal.

Trademarks	Applicant	Date Filed	Country of Application	Status
Star Blaze Soft Wheat Flour (#1173338) (Class No. 30)	Pilmico Foods Corporation	July 9, 2013	Singapore	IPOS in its Statement of Grant of Protection dated October 20, 2014 approved Pilmico's trademark application effective Sept 16, 2014 and valid for ten years.
			Turkey	The Turkish Patent Institute Trademarks Department in its Statement dated 10 September 2014 granted protection to Pilmico's trademark application effective September 10, 2014 and valid for a ten years.
			Vietnam	The International Bureau was notified by the Office of Vietnam of its approval for Pilmico's trademark application effective July 09, 2013 and valid for ten years.
			South Korea	KIPO in its Statement of Grant of Protection dated May 15, 2014 approved Pilmico's trademark application effective July 09, 2013 and valid for ten years.
			China	Subsequent designation was published in WIPO Gazette on August 18, 2016. China has 18 months therefrom to issue a provisional refusal
Sun Rays Hard Wheat Flour (#1173337) (Class No. 30)	Pilmico Foods Corporation	July 9, 2013	Singapore	IPOS in its Statement of Grant of Protection dated October 20, 2014 approved Pilmico's trademark application effective July 9, 2013 and valid for ten years.
			Turkey	The Turkish Patent Institute Trademarks Department in its Statement dated 10 September 2014 granted protection to Pilmico's trademark application effective July 9, 2013 and valid for ten years.
			Vietnam	The International Bureau was notified by the Office of Vietnam of its approval for Pilmico's trademark application effective July 09, 2013 and valid for ten years.
			South Korea	KIPO in its Statement of Grant of Protection dated May 15, 2014 approved Pilmico's trademark application effective July 09, 2013 and valid for ten years.
			China	Subsequent designation was published in WIPO Gazette on August 18, 2016. China has 18 months therefrom to issue a provisional refusal.

Trademarks	Applicant	Date Filed	Country of Application	Status
Luna Cake Flour (Class No. 30)	Pilmico Foods Corporation		South Korea	KIPO in its Statement of Grant of Protection dated May 15, 2014 approved Pilmico's trademark application effective July 09, 2013 and valid for ten years.
Sola All Purpose Flour (Class No. 30)	Pilmico Foods Corporation	February 11, 2016	Singapore	Application is still pending.
			Turkey	Application is still pending.
			Vietnam	Application is still pending.
			South Korea	Application is still pending.
			China	Application is still pending.
Moon Beam (Class No. 30)	Pilmico Foods Corporation			This is undergoing formalities examination by the WIPO.
Sun Beam (Class No. 30)	Pilmico Foods Corporation			This is undergoing formalities examination by the WIPO.
Sunlight (Class No. 30)	Pilmico Foods Corporation			This is undergoing formalities examination by the WIPO.
Kira (Class No. 30)	Pilmico Foods Corporation			This is undergoing formalities examination by the WIPO.
PILMICO word mark (Class Nos. 5, 29, 30, 31, 35, 43, 4)	Pilmico Foods Corporation			This is pending basic registration with the IP Office.

(x) Government Approvals

The discussion on the need for any government approval of principal products or services of the Company and its Subsidiaries, including COCs obtained by the Generation Companies and franchises obtained by the Distribution Utilities, is included in Item (ix) Patents, Copyrights and Franchises.

(xi) Effect of Existing or Probable Governmental Regulations

Since the enactment of the EPIRA in 2001, the Philippine power industry has undergone and continues to undergo significant restructuring. Among the provisions of the EPIRA which have had or will have considerable impact on AboitizPower's businesses relate to the following:

Wholesale Electricity Spot Market (WESM)

The WESM is a mechanism established by the EPIRA to facilitate competition in the production and consumption of electricity. It aims to provide the mechanism for identifying and setting the price of actual variations from the quantities transacted under contracts between sellers and purchasers of electricity by: (a) establishing the merit order dispatch instructions for specific time periods; (b) determining the market clearing price for such time periods; (c) reflecting accepted economic principles; and (d) providing a level playing field to all electric power industry participants.

The WESM provides an avenue whereby generators may sell power, and at the same time suppliers and wholesale consumers can purchase electricity where no bilateral contract exists between the two. Where there are such bilateral contracts, these contracts are nevertheless declared in the market but only to determine the appropriate merit order of generators. Settlement for bilateral contracts between the contracting parties will, however, occur outside the market. Traded electricity not covered by bilateral contracts will be settled through the market on the basis of the market clearing prices for each of the trading periods.

An amended Joint Resolution No. 2 was issued by the DOE, ERC and PEMC on December 27, 2013 adjusting the WESM Offer Price Cap. In this resolution, the Offer Price Ceiling of ₱62,000.00 per MWh as set by the WESM Tripartite Committee was reduced to ₱32,000.00 per MWh. This price cap is provisional in nature and shall be subject to public consultations and review by the WESM Tripartite Committee.

In May 2014, the ERC issued an urgent resolution which established a mechanism to impose an interim secondary price cap of ₱6,245.00 per MWh in the WESM. In December 2014, the ERC adopted a permanent pre-emptive mitigation measure, where the price cap of ₱6,245.00 per MWh would be imposed in the event the average spot price in WESM would exceed ₱9,000.00 per MWh over a rolling seven-day period.

The Philippine Independent Power Producers Association, Inc. (PIPPA) filed a petition for declaratory relief with the Regional Trial Court (RTC) of Pasig City on the ground that the resolutions establishing the interim secondary price cap and the permanent pre-emptive mitigation measure are invalid and void.

In 2015, DOE Circular 2015-10-0015 entitled "Providing Policies for Further Enhancement of the Wholesale Electricity Spot Market (WESM) Design and Operations" was issued. The enhancements to the WESM Design are summarized below:

(a) Removal of Pmin constraint in the Market Dispatch Optimization Model (MDOM)
(b) Five minutes dispatch intervals from one hour
(c) Ex-ante pricing only
(d) Maintaining the one hour settlement interval for settlement purposes
(e) Automated pricing corrections
(f) Mandatory integration of distribution utilities' sub-transmission network (with material effect) into the Market Network Model (MNM)
(g) Changing the values and priorities of some of the Constraint Violation Coefficients (CVCs),
(h) Imposition of WESM offer cap and floor for energy and reserve as determined through joint study by the DOE, ERC and PEMC
(i) Implementation of hourly Day-Ahead Projection (DAP) with sensitivities and Hour-Ahead Dispatch (HAD)
(j) Implementation of nodal-based short-term demand forecasting
(k) Enhanced training of WESM participants
(l) Any other enhancements as may be deemed necessary and issued by the DOE.

Changes to the WESM Rules and Manuals to comply with the above guidelines are currently being made by PEMC and the DOE, in consultation with the market participants. Afterwards, the new Price Determination Methodology shall be submitted to the ERC for its approval.

The tentative implementation of the new Market Management System (MMS) of the WESM is on June 26, 2017.

Interim Mindanao Electricity Market (IMEM) and WESM Mindanao

On January 9, 2013, the DOE issued Department Circular No. 2013-01-0001 establishing the Interim Mindanao Electricity Market (IMEM). The IMEM intends to address the supply shortage in Mindanao through transparent and efficient utilization of available capacities. However, there were some deficiencies on the processes of the IMEM that led to its inability to collect from customers and to pay the generators. Though the IMEM started in December 2013, it has been suspended indefinitely after three months of operation.

Retail Competition and Open Access (Open Access)

The EPIRA provides for a system of Open Access to transmission and distribution wires, whereby Transco, its concessionaire, the NGCP, and any distribution utility may not refuse the use of their wires by qualified persons, subject to the payment of transmission and distribution retail wheeling charges. Conditions for the commencement of Open Access are as follows

(a) Establishment of the WESM;
(b) Approval of unbundled transmission and distribution wheeling charges;
(c) Initial implementation of the cross subsidy removal scheme;
(d) Privatization of at least 70% of the total capacity of generating assets of NPC in Luzon and Visayas; and
(e) Transfer of the management and control of at least 70% of the total energy output of power plants under contract with NPC to the IPPAs.

As provided in the EPIRA, Open Access shall be implemented in phases. The WESM began operations in Luzon in June 2006 and in Visayas in December 2010.

In 2011, the ERC *motu proprio* initiated proceedings to determine whether Open Access may already be declared in Luzon and Visayas. Following various public hearings, the ERC declared December 26, 2011 as the Open Access Date when full operations of the Competitive Retail Electricity Market in Luzon and Visayas should commence. All electricity end-users with an average monthly peak demand of 1MW for the 12 months preceding December 26, 2011, as certified by the ERC to be Contestable Customers, were given the right to choose their own electricity suppliers. However, on October 24, 2011, upon the request of MERALCO, Private Electric Power Operators Association and Philippine Rural Electric Cooperatives Association, Inc. for re-evaluation of the feasibility of the December 26, 2011 Open Access Date, the ERC declared the deferment of the implementation of Open Access in Luzon and Visayas by reason of the inadequacy of rules, systems, preparations and infrastructure required therefor.

In 2012, the ERC, together with the DOE and PEMC, worked on the development of the Transitory Rules to govern the initial implementation of Open Access, which rules were finalized and issued by the ERC in December 2012. Under the said rules, the ERC declared December 26, 2012 as the Open Access Date, while the period from December 26, 2012 to June 25, 2013 was declared as the Transition Period during which the required systems, processes and information technology structure relating to Open Access would be developed and finalized, and registration of retail electricity suppliers and Contestable Customers into the WESM database would be instituted. The period from June 26, 2013 to December 25, 2013 would cover the initial commercial operation of Open Access. From December 26, 2013 onwards, full retail competition was implemented, with PEMC assigned to perform the functions of the Central Registration Body tasked to undertake the development and management of the required systems, processes and information technology structure and the settlement of transactions in the WESM relating to Open Access.

In Mindanao, a truly competitive environment required by Open Access is not expected in the near future because the largest generating asset owned by NPC in Mindanao has yet to be privatized. In December 2013, however, the IMEM commenced operations to address the supply shortfall in the grid through the utilization of available resources such that all registered generating facilities are mandated to fully account for their capacities in the market.

In December 2013, ERC issued revised licensing regulations for RES operating in the retail supply segment. In the ERC revised rules, no RES licenses would be issued to generating companies, IPPA and affiliates of distribution utilities during a transition period or until the ERC deems appropriate in consideration of market conditions. Additional restrictions were provided such as: (1) including the contracted capacity of the RES in the grid limitations imposed on the total capacity controlled by its affiliate generation companies; (2) limiting the supply by a RES to its affiliate end-users up to 50% of the RES' capacity; and (3) limiting the supply by a generation company to its affiliate RES up to 50% of the generation requirements of such RES. The Retail Electricity Suppliers Association of the Philippines, Inc. has filed in the RTC of Pasig City a petition for declaratory relief with an urgent application for an injunction on the ground that the revised rules are unconstitutional and invalid.

On October 22, 2014, the ERC issued Resolution No. 17, Series of 2014, which holds in abeyance the evaluation of RES license applications and suspends the issuance of RES licenses pending the ERC's promulgation of the amended RES License Rules. Currently, ERC is reviewing the RES Licensing Rules and Rules for Contestability.

On May 12, 2016, the ERC issued Resolution No. 11, Series of 2016 (ERC Resolution No. 11-16), which disallows distribution utilities from engaging in the supply of electricity to end-users in the contestable market unless it is a Supplier of Last Resort. Local RES are also mandated to wind down business within three years from the effectivity of ERC Resolution No. 11-16. Retail Supply Contracts (RSC) executed by Local RES shall remain valid until their expiration, but no new RSCs can be signed or executed. ERC Resolution No. 11-16 further provides that no RES are allowed to supply more than 30% of the total average monthly peak demand of all Contestable Customers in the CREM. Further, RES are not allowed to transact more than 50% of the total energy transactions of its supply business with its affiliate Contestable Customers.

In its Resolution No. 10, Series of 2016, the ERC approved the Revised Rules of Contestability, which establishes the conditions and eligibility requirements for end-users to be part of the contestable market.

On May 27, 2016, MERALCO filed a Petition for Declaratory Relief, docketed as SCA No. 4149-PSG, with a prayer for the issuance of a Temporary Restraining Order (TRO) and/or Writ of Preliminary Injunction to (a) enjoin the DOE and the ERC from enforcing and implementing: (i) DOE Circular No. DC2015-06-0010 in connection with the full implementation of RCOA, (ii) Article 1, Sections 2 and 3 of ERC Resolution No. 5, Series of 2016, (iii) ERC Resolution No. 10, Series of 2016 on the revised rules for contestability, and (iv) ERC Resolution No. 11, Series of 2016 regarding restrictions imposed on the operations of DUs and RES in the CREM; and (b) declare the said DOE Circular and ERC Resolutions void. On July 13, 2016, a Writ of Preliminary Injunction enjoining the implementation of the issuances of the ERC was granted by Branch 157, RTC of Pasig City. The ERC and the DOE, assailing the jurisdiction of the RTC, separately filed Petitions for Certiorari and Prohibition before the Supreme Court, on July 5, 2016 (G.R. No. 225141) and on September 27, 2016 (G.R. No. 226800), respectively.

On October 10, 2016, the Supreme Court, acting on the Petition filed by DOE, issued a TRO enjoining Branch 157, RTC of Pasig City from continuing with the proceedings in SCA No. 4149-PSG and from enforcing all orders, resolutions and decisions rendered in SCA No. 4149-PSG.

In December 2016, the Philippine Chamber of Commerce and Industry, San Beda College Alabang, Inc., Ateneo De Manila University and Riverbanks Development Corporation filed a new petition before the Supreme Court to enjoin the ERC and the DOE from implementing DOE Circular No. 2015-06-0010, ERC Resolution No. 5, Series of 2016, ERC Resolution No. 10, Series of 2016, ERC Resolution No. 11, Series of 2016, and ERC Resolution No. 28, Series of 2016.

On 21 February 2017, the Supreme Court issued a TRO, effective immediately, enjoining the DOE and the ERC from implementing DOE Circular No. DC2015-06-0010, Series of 2015, ERC Resolution No. 5, Series of 2016, ERC Resolution No. 10, Series of 2016, ERC No. 11, Series of 2016, and ERC Resolution No. 28, Series of 2016.

The EPIRA mandated the unbundling of distribution and wheeling charges from retail rates, with such unbundled rates reflecting the respective costs of providing each service. It also mandated the removal of cross subsidies other than the lifeline rate for marginalized end-users which shall subsist for a period of 20 years, unless extended by law. The lifeline rate is a socialized pricing mechanism set by ERC for low-income, captive electricity consumers who cannot afford to pay the full cost of electricity.

Implementation of the Performance-Based Rating-Setting Regulation (PBR)

On December 13, 2006, the ERC issued the Rules for Setting Distribution Wheeling Rates (RSDWR) for privately-owned distribution utilities entering PBR for the second and later entry points, setting out the manner in which this new PBR rate-setting mechanism for distribution-related charges will be implemented. PBR replaces the Return-on-Rate Base (RORB) mechanism, which has historically determined the distribution charges paid by customers. Under PBR, the distribution-related charges that distribution utilities can collect from customers over a four-year regulatory period is set by reference to projected revenues which are reviewed and approved by ERC and used by ERC to determine the distribution utility's efficiency factor. For each year during the regulatory period, the distribution utility's distribution-related charges are adjusted upwards or downwards taking into consideration the utility's efficiency factor as against changes in overall consumer prices in the Philippines.

The ERC has also implemented a PIS whereby annual rate adjustments under PBR will take into consideration the ability of a distribution utility to meet or exceed service performance targets set by ERC, such as the: (1) average duration of power outages; (2) average time of restoration to customers; and (3) average time to respond to customer calls, with utilities being rewarded or penalized depending on their ability to meet these performance targets.

The second regulatory period of Cotabato Light ended on March 31, 2013, while that of VECO and Davao Light ended on June 30, 2014. In addition, the second regulatory period of SEZ and SFELAPCO ended on September 30, 2015. A reset process should have been initiated 18 months prior to the start of the third regulatory period of April 1, 2013 to March 31, 2017 for Cotabato Light, July 1, 2014 to June 30, 2018 for VECO and Davao Light, and October 1, 2015 to September 30, 2019 for SEZ and SFELAPCO. The reset process, however, has been delayed due to the issuance by the ERC in 2013 of an Issues Paper on the Implementation of PBR for distribution utilities under RSDWR. Said paper aims to revisit various matters relating to the reset process. The ERC has solicited comments from industry participants and has been holding public consultations on the Issues Paper.

Through ERC Resolution No. 25 Series of 2016 dated July 12, 2016, the ERC adopted the Resolution Modifying the Rules for Setting Distribution Wheeling Rates (RDWR) for Privately Owned Distribution Utilities Entering Performance Based Regulation (PBR). Based on said Resolution, the Fourth Regulatory Period shall be as follows:

(a) Cotabato Light: April 1, 2017 to March 31, 2021
(b) Davao Light and VECO: July 1, 2018 to June 30, 2022
(c) SEZ and SFELAPCO: October 1, 2019 to September 30, 2023

On November 21, 2016, the ERC posted for comments the draft Regulatory Asset Base (RAB) Roll Forward Handbook for Privately Owned Electricity Distribution Utilities. Public consultations were conducted on January 6 and 9, 2017 in Cebu and Manila, respectively.

Matuwid na Singil sa Kuryente Consumer Alliance, Inc. (MSK) filed a petition proposing a modified RORB methodology or a modified PBR methodology, wherein the distribution utilities' capital expenditures and rate recovery thereon are approved in advance but the charges to the customers will only commence after the investments have actually been made and validated by ERC auditors. The first public consultation was scheduled on January 23, 2017.

Compliance with the Philippine Distribution Code and the Philippine Grid Code

Each of AboitizPower's Distribution Utilities has submitted to ERC a Compliance Monitoring Report based on a self-assessment of a distribution utility's compliance with the Philippine Distribution Code. These Compliance Monitoring Reports were accompanied by Compliance Plans, which outline the activities and projects to be undertaken by a distribution utility to fully comply with the prescribed technical, performance and financial standards of the Philippine Distribution Code.

Similarly, APRI, TMI and Hedcor have submitted to the ERC their respective Grid Compliance Monitoring Reports based on self-assessments of their compliance with all prescribed technical specifications and performance standards of the Philippine Grid Code. Reliable and attainable Compliance Plans accompanied these reports to outline the activities and projects that will cause compliance by a generation company with the requirements of the Philippine Grid Code.

On October 5, 2016, the ERC approved the 2016 Edition of the Philippine Grid Code in Resolution No. 22, Series of 2016. Pertinent revisions are as follows:

(a) Redefinition of various reserves;
(b) Inclusion of Run-of-River power plants requirements;
(c) Amendments to Variable Renewable Energy (VRE) requirements;
(d) Changes on definition of Large Generating Plant; and
(e) Inclusion of Must-Run Unit (MRU), Constrained Off and Constrained On.

Reduction of Taxes and Royalties on Indigenous Energy Resources

EPIRA mandates the President of the Philippines to reduce the royalties, returns and taxes collected for the exploitation of all indigenous sources of energy, including but not limited to, natural gas and geothermal steam, so as to effect parity of tax treatment with the existing rates for imported coal, crude oil, bunker fuel and other imported fuels. Following the promulgation of the implementing rules and regulations, former President Gloria Macapagal-Arroyo enacted Executive Order No. 100 to equalize the taxes among fuels used for power generation.

Proposed Amendments to the EPIRA

Since the enactment of the EPIRA, members of Congress have proposed various amendments to the law and its implementing rules and regulations. A summary of the significant proposed amendments are as follows:

(a) Classification of power projects as one of national significance and imbued with public interest;
(b) Exemption from Value Added Tax (VAT) of the sale of electricity by generation companies;
(c) Modification of the definition of the term "Aggregator," which is proposed to refer to a person or entity engaged in consolidating electric power demands of end-users of electricity in the contestable market, for the purpose of purchasing, reselling, managing for optimum utilization of the aggregated demand, or simply pooling the tendering process in looking for a supply of electricity on a group basis;

(d) Requirement for distribution utilities to conduct public and competitive selection processes or Swiss challenges for the supply of electricity and to fully or adequately contract their future and current energy and demand requirements;
(e) Grant of access to electric cooperatives over the missionary electrification fund collected through universal charges;
(f) Exclusion of the following items from the rate base charged by Transco and distribution utilities to the public: corporate income tax, value of the franchise, value of real or personal property held for possible future growth, costs of over-adequate assets and facilities, and amount of all deposits as a condition for rendition and continuation of service;
(g) Regulation of generation, transmission, distribution and supply rates to allow RORB up to 12%;
(h) Classification of power generation and supply sectors as public utilities, which would be required to secure legislative franchises;
(i) Prohibition of cross-ownership between generation companies and distribution utilities or any of their subsidiaries, affiliates, stockholders, officials or directors, or the officials, directors, or other stockholders of such subsidiaries or affiliates, including the relatives of such stockholders, officials or directors within the fourth civil degree of consanguinity;
(j) Prohibition against or restriction on distribution utilities from sourcing electric power supply requirements, under bilateral electric power supply contracts, from a single generation company or from a group of generating companies wholly-owned or controlled by the same interests;
(k) Lowering of the allowable extent of ownership, operation and control of a company or related groups as determined from the installed generating capacity of the grid and/or nationally installed generating capacity;
(l) Exemption or deferral of the privatization of some assets of NPC, such as the Unified Leyte (Tongonan) Geothermal Complexes, Agus and Polangui Complexes, and Angat Dam;
(m) Expansion of the definition of host communities to include all barangays, municipalities, cities and provinces or regions where hydro generation facilities are located and where waterways or water systems that supply water to the dam or hydroelectric power generating facility are located;
(n) Prohibition on distribution utilities, except rural electric cooperatives to recover systems losses and placing a 5% cap on recoverable system loss;
(o) Imposition of a uniform franchise tax for distribution utilities equivalent to 3% of gross income in lieu of all taxes;
(p) Grant of authority for NPC to generate and sell electricity from remaining assets;
(q) Removal of the requirement of a joint congressional resolution before the President may establish additional power generating capacity in case of imminent shortage of supply of electricity; and
(r) Creation of a consumer advocacy office under the organizational structure of the ERC.

The Renewable Energy Act of 2008 (RE Law)

The RE Law was signed into law by former President Gloria Macapagal-Arroyo on December 16, 2008 and became effective in January 2009. Among the RE Law's declared policies is to accelerate and develop the use of the country's renewable energy (RE) resources to (a) reduce the country's dependence on fossil fuels, thereby minimizing exposure to price fluctuations in the international markets, and (b) reduce or prevent harmful emissions and promote a healthy and sustainable environment.

The RE Law imposes a government share on existing and new RE development projects at a rate of 1% of the gross income from the sale of renewable energy and other incidental income from generation, transmission and sale of electric power, except for indigenous geothermal energy which shall be at a rate of 1.50% of gross income. Proceeds from micro-scale projects for communal purposes and non-commercial operations, not exceeding 100 kW, and proceeds from the development of biomass resources will not be subject to the said government share.

The RE Law offers fiscal and non-fiscal incentives to RE developers, including developers of hybrid systems, subject to certification by the DOE in consultation with the BOI. These incentives include an ITH for the first seven years of commercial operations; duty-free importations of RE machinery, equipment and materials effective within ten years upon issuance of certification, provided, said machinery, equipment and materials are directly and actually needed and exclusively used in RE facilities; special realty tax rates on civil works, equipment, machinery and other improvements of a registered RE developer not exceeding 1.50% of the net book value; net operating loss carry-over; corporate tax rate of 10% after the seventh year; accelerated depreciation; zero-percent VAT on sale of fuel or power generated from RE sources and other emerging sources using technologies such as fuel cells and hydrogen fuels and on purchases of local supply of goods, properties and services needed for the development, construction and installation of RE facilities; cash incentives for missionary electrification; tax exemption on the sale of carbon emission credits; and tax credit on domestic purchases of capital equipment and services.

All fiscal incentives apply to all RE capacities upon the effectivity of the RE Law. RE producers from intermittent RE resources are given the option to pay transmission and wheeling charges on a per kilowatt-hour basis at a cost equivalent to the average per kilowatt-hour rate of all other electricity transmitted through the grid. Qualified and registered RE generators with intermittent RE resources shall be considered “must dispatch” based on available energy and shall enjoy the benefit of priority dispatch. Electricity generated from RE resources for the generator’s own consumption and/or for free distribution to off-grid areas is exempt from the universal charge. The RE Law further provides financial assistance from government financial institutions for the development, utilization and commercialization of renewable energy projects, as may be recommended and endorsed by the DOE.

Pursuant to Department Circular No. DO2009-05-008 dated May 25, 2009 (Rules and Regulations Implementing the Renewable Energy Act of 2008), the DOE, the BIR and the Department of Finance shall, within six months from its issuance, formulate the necessary mechanism and/or guidelines to implement the entitlement to the general incentives and privileges of qualified RE developers. However, as of this date, no specific guidelines or regulations have been issued by the relevant implementing agencies. Such being the case, the RE companies of AboitizPower, such as APRI, LHC, Hedcor Sibulan, Hedcor Tamugan, SN Aboitiz Power-Magat and SN Aboitiz Power-Benguet, filed on August 6, 2010 a request before the BIR Law Division for a ruling on the application of zero-rated VAT on all its local purchases of goods and services needed for the development of RE plant facilities, exploration and development of RE sources and their conversion into power. To date, the said request is still pending with the BIR Law Division.

In Resolution No. 10, Series of 2012, the ERC adopted the following FIT and degression rates for electricity generated from biomass, run-of-river hydropower, solar and wind resources:

	FIT Rate (PhP/kWh)	Degression Rate
Wind	8.53	0.5% after year 2 from effectivity of FIT
Biomass	6.63	0.5% after year 2 from effectivity of FIT
Solar	9.68	6% after year 1 from effectivity of FIT
Hydro	5.90	0.5% after year 2 from effectivity of FIT

In line with the increase in installation target for solar energy from 50 MW to 500 MW and wind energy from 200 MW to 400 MW, the ERC issued Resolution No. 6 Series of 2015 approving the Solar FIT2 rate of ₱8.69/kWh for the second set of installation target. On October 6, 2015, the ERC issued Resolution No. 14, Series of 2015 adopting the Wind FIT2 rate of ₱7.40/kWh. On September 29, 2016, a Petition for Rule Making was filed by Alternergy Wind One Corporation, Petrowind Energy, Inc. and Trans-Asia Renewable Energy Corporation seeking to amend Resolution No. 14, Series of 2015, and praying to increase the Wind FIT2 rate of ₱7.40/kWh to ₱7.93/kWh. A public consultation was held on the Petition for Rule Making on January 6, 2017.

Acting upon the application of Transco as Fund Administrator of the FIT Allowance (FIT-All), the ERC issued its final approval for the FIT-All of ₱0.0406 per kWh, for calendar years 2014 and 2015. Subsequently, Transco filed an application for approval of the FIT-All for calendar year 2016. In an Order dated February 16, 2016, the ERC provisionally approved a FIT-All of ₱0.1240 per kWh.

In 2013, the ERC had issued the rules enabling the net metering program for RE. The rules, among others, seek to encourage end-users to participate in RE generation by requiring distribution utilities, upon the request of a distribution end-user with an installed RE system, to enter into a net metering agreement with such end-user, subject to technical considerations and without discrimination.

In early 2014, the ERC issued the guidelines on the collection of the FIT-All and the disbursement of the FIT-All Fund by Transco. The FIT-All shall be a uniform charge to be collected for the guaranteed payment of the FIT for electricity generator from emerging renewable energy technologies and actually delivered to the transmission and/or distribution network by RE developers. The distribution utilities and RES entities started collecting the FIT-All from their respective customers in February 2015.

The National Renewable Energy Board (NREB) is presently in the process of preparing the Renewable Portfolio Standards which, under the RE Law, shall be a market-based policy requiring electricity suppliers to source an agreed portion of their energy supply from eligible RE resources.

ERC Regulation on Systems Loss Cap Reduction

Under ERC Resolution No. 17, Series of 2008, the actual recoverable systems losses of distribution utilities was reduced from 9.50% to 8.50%. The new systems loss cap was implemented in January 2010.

Under this regulation, actual company use of electricity shall be treated as an expense of the distribution utilities, particularly, as an operations and maintenance (O&M) expense in the PBR applications.

In December 2009, VECO and Cotabato Light filed separate petitions in the ERC for the deferment of the implementation of the systems loss cap of 8.50%, citing circumstances peculiar to their respective franchises and beyond the control of VECO and Cotabato Light that affect the systems loss incidence in their areas. Although these petitions remain pending before the ERC, unaccounted systems losses of VECO and Cotabato Light as of the end of 2014 stood at 7.83% and 8.26%, respectively.

Proposed Power Supply Agreement (PSA) Rules

In October 2013, ERC introduced the draft "Rules Governing the Execution, Review and Evaluation of Power Supply Agreements Entered into by Distribution Utilities for the Supply of Electricity to their Captive Market". In the proposed rules, a distribution utility is required to undertake a competitive selection process before contracting for supply of electricity to its captive market, and ERC shall establish a benchmark rate that shall serve as reference price to assess the price that a generation company may offer. The draft rules also provide that the ERC's decision on a power supply agreement shall be binding on the parties and any termination or "walk-away" clause shall not be allowed. AboitizPower submitted its position paper to the ERC stating that the proposed rules will violate the equal protection clause of the 1987 Philippine Constitution and the mandate and intent of the EPIRA in connection with the ERC's regulatory power. As of date, public consultations on the proposed rules were concluded and the Company is still awaiting the final rules from the ERC.

On October 20, 2015, ERC issued Resolution No. 13, Series of 2015, entitled, "A Resolution Directing All Distribution Utilities (DUs) to Conduct a Competitive Selection Process (CSP) in the Procurement of their Supply to the Captive Market." This resolution provides that a PSA shall be awarded to a winning Generation Company following a competitive selection process or by direct negotiation, after at least two failed CSPs. This Resolution was restated in ERC Resolution No. 1, Series of 2016, entitled, "A Resolution Clarifying the Effectivity of ERC Resolution No. 13, Series of 2015."

ERC Resolution No. 1, Series of 2016 further clarified that automatic renewal clauses or extension of PSAs will no longer be permitted. However, PSAs approved by the ERC or filed with the ERC before the effectivity of this Resolution may have one automatic renewal or extension for a period of one year from the end of their respective terms.

Pricing and Cost Recovery Mechanism (PCRM)

Reserves are forms of ancillary services that are essential to the management of power system security. The provision of reserves facilitates the orderly trading, and ensures the quality of electricity.

As provided in the WESM Rules, when reasonably feasible, the Market Operator, in coordination with the System Operator, shall establish and administer a spot market for the purchase of certain reserve categories. The reserve categories that shall be traded in the WESM are regulating, contingency and dispatchable reserves as well as interruptible loads in lieu of reserves.

(b) Oil-based generation companies shall maintain an adequate in-country stocks of fuel equivalent to at least 15 days of running inventory which includes shipments in transit;
(c) Coal power plants shall ensure the required 30-day coal running inventory which includes shipments in transit;
(d) During scheduled maintenance of the Malampaya natural gas facilities, all affected generation companies shall maintain at least 15 days of running inventory of alternative fuel and shall operate at full capacity;
(e) All generation companies with natural gas-fired, geothermal and hydroelectric generating plants shall submit to the DOE a monthly report on the current status and forecast of the energy sources of its generating plants;
(f) All generation companies must notify and coordinate with the system operator of any planned activity such as the shutdown of its equipment;
(g) All generation companies must immediately inform the DOE of any unexpected shutdown or de-rating of the generating facility or unit thereof; and
(h) Generation companies shall seek prior clearance from the DOE regarding any plans for deactivation or mothballing of existing generating units or facilities critical to the reliable operation of the grid.

(xii) Amount Spent on Research and Development Activities

AEV and its Subsidiaries do not allocate specific amounts or fixed percentages for research and development. All research and developmental activities are done by its Subsidiaries and Affiliates on a per project basis. The allocation for such activities may vary depending on the nature of the project.

(xiii) Costs and Effects of Compliance with Environmental Laws

AEV's Subsidiaries and Affiliates are subject to extensive, evolving and increasingly stringent safety, health and environmental laws and regulations. These laws and regulations, such as the RA 8749 or the Philippine Clean Air Act (Clean Air Act), address, among other things, air emissions, wastewater discharges, the generation, handling, storage, transportation, treatment and disposal of toxic and hazardous chemicals, materials and waste, workplace conditions, and employee exposure to hazardous substances. The Business Units have incurred and are expected to continuously incur operating costs to comply with the above laws and regulations. However, these costs and expenses cannot be segregated or itemized as these are embedded in, and are part and parcel of, the Business Units' overall system in compliance with both industry standards and the government's regulatory requirements.

Standard regulations that govern business operations other than the Clean Air Act are Ecological Solid Waste Management Act (RA 9003), Clean Water Act (RA 9275), Toxic Substances and Hazardous and Nuclear Wastes Control Act (RA 6969), and Philippine Environmental Impact Statement System (Presidential Decree No. 1586). Designated pollution control officers in the different Business Units closely monitor compliance with the requirements of these regulations.

AboitizPower's generation and distribution operations are subject to extensive, evolving and increasingly stringent safety, health and environmental laws and regulations. These laws and regulations address concerns relating to, among other things, air emissions; wastewater discharges; the generation, handling, storage, transportation, treatment and disposal of toxic or hazardous chemicals, materials and waste; workplace conditions; and employee's exposure to hazardous substances. Standard laws and regulations that govern AboitizPower's business operations include the Ecological Solid Waste Management Act, Clean Water Act, Toxic Chemical Substances and Hazardous Waste Act and Philippine Environmental Impact Statement System and the RE Law. These laws usher in new opportunities for AboitizPower and set competitive challenges for businesses covered by these laws. Energy Regulation 1-94 further requires companies to allocate funds for the benefit of the host communities, both for the protection of the natural environment and for the people living within the area. Funds are set for the management of carbon sinks and watershed areas through a nationwide reforestation program.

The inherent drive of AboitizPower to align with international best practices through the pursuit and maintenance of Quality Management Systems, Environmental Management Systems, and Occupational Health & Safety Systems has yielded a 90% adherence rate as of 2016. AboitizPower aims to achieve 100% adherence rate in 2017.

The Tiwi-Makban geothermal plants of APRI have collectively spent ₱2.6 mn for its environmental management programs in 2016, ₱1.4 mn less than the amount spent for the previous year due to decreased waste hauling activities and more competitive rates for third party laboratory testing.

The WESM Reserve PCRM is intended to supplement the WESM Price Determination Methodology for purposes of providing the details of formula and procedures by which reserve trading amounts and reserve cost recovery charges for the categories of reserve that will be traded in the WESM are calculated. Once approved by the ERC, this Reserve PCRM will apply to all reserve categories traded in the WESM and will supersede, to this extent, the Ancillary Services Cost Recovery Mechanism of the Transco.

The Reserve PCRM covers the determination of (1) reserve trading amounts of reserve providers; (2) reserve cost recovery charges; and (3) administered reserve prices and reserve cost recovery charges. As of date, the Reserve PCRM is the subject of an application by the Market Operator, which is pending the approval of the ERC.

On December 2, 2014, DOE Circular No. 2014-12-0022, otherwise known as the Central Scheduling and Dispatch of Energy and Contracted Reserves, was issued. The Circular aims to prepare the market participants in the integration of ancillary reserves into the WESM. The ancillary service providers will be paid based on their respective ASPAs with NGCP, while the scheduling of capacity and energy will be based on market results.

Proposed Joint Resolution for the Establishment of Additional Generating Capacity

On September 12, 2014, former President Benigno C. Aquino III requested the House of Representatives and the Senate for authority to establish additional generating capacity. The President cited the DOE's report and projection of a critical electricity situation in the summer of 2015 in Luzon arising from the expected effects of the El Niño phenomenon, the 2015 Malampaya turnaround, increased and continuing outages of power plants, and anticipated delays in the commissioning of committed power projects.

After due deliberation, the Philippine House of Representatives ("House") approved House Joint Resolution No. 21, entitled "A Joint Resolution Authorizing the President of the Philippines, His Excellency Benigno S. Aquino III, to Provide for the Establishment of Additional Generating Capacity as Mandated by Republic Act No. 9136, also known as the 'Electric Power Industry Reform Act (EPIRA)', to Effectively Address the Projected Electricity Shortage in the Luzon Grid from March 1, 2015 to July 31, 2015." On the other hand, the Philippine Senate ("Senate") approved Senate Joint Resolution No. 12, entitled "A Joint Resolution Authorizing the President of the Philippines, His Excellency Benigno S. Aquino III, to Address the Projected Electricity Imbalance in the Luzon Grid and Providing the Terms and Conditions Therefor." A bicameral conference committee was constituted to reconcile the provisions of said House and Senate versions of the Joint Resolution. No bicameral conference committee version has been approved as of the date of submission of this Information Statement.

The Joint Resolution aims to address the projected critical power supply situation in Luzon through the expansion of the ILP, acceleration of power projects and implementation of energy efficiency programs.

On the other hand, the ERC has issued its Resolution No. 5, Series of 2015, which would enable the implementation of the ILP with respect to Contestable Customers, customers directly-connected to the grid, ecozone locators, and ecozone utility enterprises. Prior to Resolution No. 5, the ILP could only be implemented by distribution utilities which enter into an agreement with their captive customers.

DOE Circular Directing All Power Generation Companies, the Transmission Service Provider, and All Distribution Utilities to Ensure Adequate and Reliable Electric Power Supply in the Country

Under DOE Department Circular No. 2010-03-0003 dated February 26, 2010, generation companies are enjoined to ensure the availability of its generation facilities at all times subject only to technical constraints duly communicated to the system operator in accordance with existing rules and procedures. For this purpose, generation companies shall have, among others, the following responsibilities:

(a) All generation companies shall operate in accordance with their maximum available capacity which shall be equal to the registered maximum capacity of the (aggregate) unit less: (1) forced unit outages, (2) scheduled unit outages, and (3) de-rated capacity due to technical constraints which include: (i) plant equipment related failure and ambient temperature, (ii) hydro constraints which pertain to limitation on the water elevation/ turbine discharge and megawatt output of the plant, and (iii) geothermal constraints which pertain to capacity limitation due to steam quality, steam pressure and temperature variation, well blockage and limitation on steam and brine collection and disposal system;

For 2016, Hedcor and its Subsidiaries, TSI, and SN Aboitiz Power–Magat and SN Aboitiz Power–Benguet allocated ₱13,982,808.00, ₱5,203,132.00 and ₱335,480.00, respectively, for the environmental management of their renewable energy operations.

The oil-fired power plants - TMO's barges, TMI's Mobile 1 and 2, and CPPC - allocated ₱4,248,828.00 for environmental management for 2016. This is a ₱2 mn increase from previous year's cost due to third party certification programs that gained them ISO 14001 and OHSAS 18001 certifications.

AboitizPower's Subsidiaries received several environmental awards and recognition in 2016, including a Plaque of Recognition for the practices of APRI Makban's Multi Partite Monitoring Team from EMB Region IV-A; a citation for APRI Makban's power plant for its exemplary practice on the implementation of different environmental mandates from EMB - Calabarzon; the Saringaya Award for outstanding environmental management for APRI Tiwi from EMB-Region V; and Best in Sustainability Practices for the Solid Waste Management Programs of Hedcor Benguet from EMB – Cordillera Administrative Region.

The Philippine Chamber of Commerce and Industry also cited SN AboitizPower-Benguet's Ambuklao and Binga power plants as finalists for the Excellence in Economy and Ecology Award.

AboitizPower's Subsidiaries received recognitions from the DOLE's 2016 National Gawad Kaligtasan at Kalusugan (GKK) Awards, namely: (1) SN AboitizPower-Benguet's Ambuklao and Binga plants (the National Silver Award for Occupational Safety and Health Programs); (2) Hollis Fernandez, SN AboitizPower-Benguet's SHESQ Manager (Gold Award for Outstanding Safety Management Professional); (3) TMI-M1 (Bronze Award for Occupational Safety and Health Programs); and (4) TSI (Finalist for Region IX).

SN AboitizPower-Benguet, SN AboitizPower-Magat, and Hedcor Benguet were accorded the 2016 Safety and Health Association of the Philippines Energy Sector Inc. (SHAPES) Excellence in Safety Management Award and its respective focal points: Hollis Fernandez, Jessie Palma, Clifford Dallay, Cesar Vicente and Rocky Marquez received individual awards for Outstanding Safety Professional.

The Safety Organization of the Philippines gave APRI's Makban and Tiwi plants the Award of Excellence in recognition for its continued no-lost-time injury for the past five years.

In 2016, AboitizPower and its Subsidiaries and Affiliates did not incur any major sanctions for violation of environmental standards and law. Moreover, AboitizPower continues to be cognizant of new opportunities to comply with regulatory requirements and improvement of systems to promote safety and prevent adverse impacts to the environment or affected ecosystems.

Pilmico and PANC merited a re-certification for ISO 9001:2008, Hazard Analysis and Critical Points Control, and Good Manufacturing Practice. In addition to the standard regulations, the Food Group is also regulated by the Environmental Impact Statement System.

AboitizLand strives to attain a balance between its interests and with environmental quality and protection. All AboitizLand projects, regardless of scale, comply with the requirements of the aforementioned law. AboitizLand's developments, Kishanta subdivision in Talisay City and Pristina North in Bacayan, Cebu City, were included in all tours and seminars conducted by the Housing and Land Use Regulatory Board for government planners, developers, municipal and city officials of the region to showcase AboitizLand's environmentally compliant developments. AboitizLand also complies with the Environmental Impact Statement System.

RCBM and its Subsidiaries set up a Mine Rehabilitation Fund (MRF) as a reasonable environmental deposit to ensure availability of funds, in compliance with its Environmental Protection and Enhancement Program (EPEP) or the Annual Environmental Protection and Enhancement Program (AEPEP). In 2013, the RCBM Group launched a reforestation program, as mandated by the Philippine Mining Act and in line with the government's National Greening Program (NGP), which aims to foster sustainable development for environment stability, food sufficiency, poverty reduction, biodiversity conservation, and climate change mitigation and adaptation. Under the RCBM Group's program, more than 400 volunteers planted trees simultaneously, in four different sites, to reforest 750 hectares of denuded upland areas. Aligned with its commitment to environmental protection, the RCBM Group gives top priority on the upkeep and maintenance of dust control devices at the manufacturing sites. To ensure that manufacturing activities and increased usage of alternative fuels do not result to added negative environmental impact, the RCBM Group continues to invest their resources in housekeeping activities and periodic stationary sampling of air and water quality around the manufacturing sites. Continuous Emissions Monitoring Systems (CEMS) have also been installed in every manufacturing site to ensure that air emissions are kept within Philippine standard limits.

Apo Agua ensures compliance with all necessary applicable environment laws such as the Environmental Impact Statement System, the Toxic Substances Control Act, Hazardous and Nuclear Wastes Control Act, the Clean Air Act and the Clean Water Act. The company also undertakes to comply with conditions set forth by Davao City's Watershed Management Council, and the conditions sets forth by the by the Department of Health on the Philippine National Standards for Drinking Water and DENR-EMB on the DAO-35 Discharge Standards.

(xiv) Employees

On the parent company level, as of March 31, 2017, AEV has a total of 282 employees composed of executives, managers, supervisors, rank and file and contractual employees. There is no existing collective bargaining agreement (CBA) covering AEV employees.

The following table provides a breakdown of total employee headcount per strategic Business Unit, divided by function, as of March 31, 2017:

Employees							
Number of Employees	AEV	UnionBank and Subsidiaries	Pilmico and Subsidiaries	AboitizLand and Subsidiaries	PETNET	RCBM and Subsidiaries*	AboitizPower and Subsidiaries**
Executives	55	175	23	26	13	5	121
Managers	66	1,256	70	51	46	138	213
Supervisors	48	1,462	177	160	139	335	452
Rank & File	105	1,381	337	127	1,088	470	1,755
Contractual	8	0	36	0	3	0	403
TOTAL	**282**	**4,274**	**643**	**364**	**1,289**	**948**	**2,944**
Unionized Employees	N/A	1,244	21	N/A	N/A	479	568

** As of February 28, 2017*

*** Some data of the Subsidiaries are as of February 28, 2017*

Below is a list of the expiration dates of the CBAs of AEV's Subsidiaries.

Expiry of CBA	
AEV	N/A
UnionBank and Subsidiaries	2020
Pilmico and Subsidiaries	May 31, 2020
AboitizLand and Subsidiaries	N/A
PETNET	N/A
RCBM and Subsidiaries	July 31, 2017 (Norzagaray Labor Union) December 31, 2018 (Association of Professional Technical Administrative Staff Employees – PAFLU) February 28, 2019 (Fortune Cement Corporation Employees' Union) June 30, 2019 (Fortune Cement Corporation Supervisory, Professional and Technical Employees Union – Philippine Agricultural Commercial Industrial Workers Union – TUCP) February 28, 2019 (Continental Operating Workers and Employees Union) October 15, 2020 (FR Cement Employees' Union) January 31, 2019 (FR Supervisory Employees' Union)

Expiry of CBA	
	December 31, 2020 (Iligan Cement Workers Union – Federation of Democratic Labor Organization) May 8, 2019 (Iligan Cement Corporation Supervisory Union)
AboitizPower and Subsidiaries	February 28, 2017 (APRI)* June 15, 2021 (Davao Light) September 18, 2018 (Hedcor) December 31, 2016 (VECO)* May 9, 2019 (SFELAPCO) June 30, 2019 (Cotabato Light)

* *Under Negotiation*

The Company does not anticipate any increase in manpower within the next twelve months unless new development projects and acquisitions would materially require an increase.

(xv) Major Risk/s Involved in the Business of AEV and its Significant Subsidiaries

An integral part of AEV's Enterprise Risk Management efforts is to anticipate, understand and address the risks that the company may encounter in the businesses it is involved in.

Reputation Risk

AEV recognizes that its reputation is its single most valuable asset, a competitive advantage that enables the Company to earn the trust of its stakeholders. The Company also knows that the reputation it has today took generations to strengthen and is therefore something it wants to protect, build and enhance continuously.

Today's world of higher corporate governance standards, coupled with heightened public consciousness because of social media and greater scrutiny from key stakeholders, has created a new environment where corporate reputation has become a differentiating asset as well as the number one risk.

Managing AEV's reputation requires an understanding of its reputational terrain, which includes all its stakeholders: team members, customers, shareholders, lenders, regulators, host communities and local government units.

AEV manages its reputational risk, which could be the effect of an occurrence of another risk, through the following:

(a) building organization capability through a formalized governance structure and intelligence process across the Group;
(b) assessing and mitigating risks;
(c) identifying and engaging all stakeholders through information and education campaigns and relationship building programs;
(d) anticipating, resolving and proactively managing issues;
(e) conducting regular table top exercise for emergency response and incident management and business recovery plans;
(f) developing and implementing a Group-wide social media policy, strategy and social media listening;
(g) developing brand champions and brand advocates among its team members through effective corporate communication and engagement programs;
(h) ensuring brand integrity by establishing reputation metrics and conducting reputation surveys; and
(i) integrating sustainable practices across the value chain to promote inclusive growth and shared value.

A Group-wide stakeholder management strategy that include policy, framework, guidelines and metrics has been established to further enhance the Company's ability to identify, understand and manage the needs and requirements of its different stakeholders.

Competition Risk

AEV and its Business Units operate in highly competitive environments. As such, failure to properly consider changes in their respective markets and foresee the actions of competitors can greatly diminish competitive advantage.

AEV. In 2016, AEV started its digital transformation journey to ensure that the organization will remain ahead of the competition. The Digital Management Team was formed to support the organization as AEV embarks on this new journey. The team's mission is to implement a Group-wide digital revolution and ensure that AEV is ready and actively taking advantage of the digital trends and technologies.

Power. In the next few years, AboitizPower will be facing pivotal changes in the power industry. Its investments, as well as those of its competitors in Greenfield and Brownfield projects are starting to pour in, with new players coming into the game. The industry is now moving into a situation where there will be an oversupply of electricity in two of the country's grids in the next couple of years.

To mitigate risks, projected capacities from these investments as well as expiring contracts of the Company's existing capacities are marketed and contracted ahead to ensure that plant operations are optimized and to protect revenue and cash flow streams.

The duration of these contracts are also spread to minimize large capacity expirations in any given year. AboitizPower has also embarked on developing a system to support its customer relationship and selling activities.

Open Access and Retail Competition

Open Access has opened the door to a more competitive retail environment. Eligible Contestable Customers will have the option to source their electricity from eligible suppliers that have secured a RES license from the ERC. Next in line are the customers in the following bands: those with average demand from 750kW to less than 1000kW, and then those from 500kW to less than 750kW.

Open Access may adversely affect the distribution franchises of the AboitizPower Group when their supply contracts haveto be reduced, as customers switch from being captive customers to Open Access eligible customers. The Distribution Utilities will adjust the levels from these suppliers at a minimal cost impact to customers. AboitizPower has two wholly-owned Subsidiaries, AESI and AdventEnergy, that are licensed RES. AboitizPower's generation assets that have uncontracted capacities will be able to have indirect access to Open Access eligible customers through the Company's licensed RES.

Electricity Trading Risks

Due to increased supply, electricity market prices are expected to decrease substantially both long-term and short-term.

Furthermore, shorter trading and dispatch interval of five minutes are expected to be implemented by mid-2017. This enhancement could result to additional operational workload due to increased trading transactions. WESM is targeted to take off on in Mindanao in June 2017.

With these significant changes in its trading environment, AboitizPower plans to enhance its trading capabilities, which covers upgrading their trading software, infrastructure, processes and manpower.

Food. The ASEAN Integration has leveled the playing field in the region. It has also increased the competition in the Philippines with the entry of new domestic and international flour millers as well as the constant threat of cheaper imported flour. However, the ASEAN Integration has also provided Pilmico with a new frontier to expand its customer base outside the Philippine market. Pilmico has always remained vigilant in identifying opportunities to grow its businesses while protecting its market share.

In 2016, two years after starting its flour export program through Pilmico's representative offices in Vietnam and Indonesia, Pilmico Vietnam Trading Company Ltd. was established in Ho Chi Minh City to grow and strengthen the company's flour and animal feeds businesses in the Indochina region.

2016 was a year of growth for the Feeds business, having completed all feedmill expansion programs across all sites – Iligan, Tarlac and Vietnam. To complete the objective as a total solutions provider for its customers, Pilmico now offers aqua feeds and animal health products.

The Farms business continued its sow level expansion, which will be completed by third quarter of 2017. This is seen to boost market hogs capacity and increase live hogs and meat sales volume. In order to support the growth of the Farms business and remove dependence in third-party meat plants, Pilmico invested in its own meat slaughter and fabrication plant slated to be operational by early 2018. The company also completed its first Egg Layers Farms in December 2016.

Securing highly-skilled technical team members for Pilmico's fast growing feeds and farms businesses remains a challenge. As a talent attraction strategy, Pilmico launched the 2nd Pilmico Junior Veterinary Medicine and Animal Science Congress (PJVAC), a first of its kind in the industry. This is a three-day learning and leadership conference for top graduating Veterinary and Animal science students across the Philippines.

Land. AboitizLand believes that the Philippine economy is fundamentally sound and conducive for real estate growth in 2017 and onwards. Prior investment in capable leaders, enhanced systems and processes are now in place, ready to take on the challenges of the upcoming years.

For its residential business sector, AboitizLand shall continue focusing on products that offer unique value. The company will launch projects outside of Cebu, as provincial growth areas become more attractive for expansion. Synergies, especially those within the Aboitiz Group, shall also be instrumental in ensuring that project targets are achieved.

For developments in its office and retail sector, the construction of AboitizLand's second outlet development, The Outlets at Lipa, is currently in full swing. Likewise, Gatewalk Central, the first project of the AboitizLand's joint venture with Ayala Land, broke ground in 2016. This mixed-use development at the boundaries of Cebu and Mandaue cities clocks a steady pace of construction.

The industrial business sector, albeit some slowdown in PEZA inquiries in the year 2016, has achieved its sales targets. This is a fruit of AboitizLand's commitment to improve the industrial park, maintain professional relations with its existing locators, provide them with reliable service, and manage the zones with expertise and utmost commitment.

AboitizLand sets out to find more suitable locations for residential, commercial and industrial communities to meet future demands. It continuously seeks for ways to improve, innovate, and nurture partnerships in every community it develops.

Banking. In 2016, UnionBank continued to grow its core earning assets as part of its business strategy to build a recurring income base. The growth in both customer loans and investment securities at amortized cost resulted for the bank's net interest income and fee-based income to be the primary source of revenues. To support the growth in its balance sheet, the bank also posted gains on sale of investment securities that added to its strong earnings performance for the year. UnionBank also embarked on a digital transformation strategy to support its business objectives. The digitization roadmap aims to establish an information technology infrastructure that will cater to the requirements of changing customer behaviour. UnionBank also invested to build its organizational expertise in technology and operations, as well as support business expansion.

In the succeeding years, the plan is to continue its FOCUS 2020 objectives which aims for above industry growth across all customer business segments. UnionBank shall continue to leverage on its wholesale customer acquisition strategy, as well as institutional partnerships. Digitization will still be at the forefront of its strategy as cash management solutions evolve to support customer requirements for real-time payments and collections. Digitization will also entail investments in information and cyber security which has now become one of the primary issues on risk management.

Infrastructure. Spinning off from AEV's Infrastructure Business Development Team, Aboitiz InfraCapital was incorporated in 2016 to serve as the investment vehicle of all future infrastructure related investments of the Aboitiz Group. Its establishment will help the Group in achieving its objective of creating a name in the infrastructure space, seeking growth in selective areas in bulk water, roads, railway, airports and building materials. The Group's investment in RCBM was the first operational unit in this segment.

Regulatory Risk

The complexities in the business and regulatory landscape are increasing dramatically. Several of AEV's Business Units, particularly in the power and banking sectors, are now subject to more stringent regulations.

Corporations in the Philippines are navigating through new and more stringent regulatory requirements with relatively higher stakeholder expectations oftentimes expressed through public sentiment. They are challenged to comply with regulations in ways that support performance objectives, protect their brands, and sustain their corporate values.

AboitizPower's generation and distribution businesses are subject to constantly evolving regulations. Regulators are tightening their scrutiny, and the public has become more vigilant and involved in the power debate.

To respond proactively to potential fundamental changes that can impact its businesses, AboitizPower has a regulatory team who works very closely with the Company's Generation Companies and Distribution Utilities, while maintaining open lines of communication with regulatory agencies.

AboitizPower's regulatory team has developed a strategy anchored on long-term views of expected or anticipated changes in the regulatory field. The team's approach integrates an understanding how regulations will affect AboitizPower's businesses, as well as planning and preparing for expected changes in regulation, rather than waiting for regulations to be imposed.

Regular dialogues are conducted with AboitizPower's regulatory team, media, non-government organizations, the academe, and organized industry groups such as PIPPA and Philippine Electric Plant Owners Association (PEPOA) to educate various groups about the power industry. The AboitizPower regulatory team will continue to actively participate in consultative processes as well as engage in public discussions on government regulations, their relevance to current business practices and technology changes, with the goal of development of new rules and policies that will be beneficial not just to AboitizPower but to the power industry as a whole.

For UnionBank and its Subsidiaries engaged in banking, compliance programs have been implemented and designed to ensure adherence not only to current and applicable laws and regulations, but also to the bank's internal policies, industry-accepted standards, and corporate governance best practices and principles. PETNET implements policies and processes that will ensure full compliance with the rules and regulation of the BSP and the Anti-Money Laundering Council.

Business Interruption Due to Natural Calamities and Critical Equipment Breakdown

The loss of critical functions and equipment caused by natural calamities such as earthquakes, windstorms, typhoons and floods could result in a significant interruption of businesses within the Aboitiz Group.

Interruptions may also be caused by other factors such as major equipment breakdown, software, network or application failures, fires and explosions, hazardous waste spills, workplace fatalities, product tampering, terrorism and other serious risks.

Regular preventive maintenance of the facilities and technological infrastructure and systems of the Aboitiz Group is being strictly observed, and loss prevention controls are continually being evaluated and strengthened.

Group insurance facilities that leverage on the Company's portfolio of assets, supported by risk modelling and quantification, are in place. Business interruption insurance has also been procured to cover the potential resulted in AEV and its Business Units having the right insurance solutions and continued efforts to achieve the optimal balance between retaining and transferring risks and lowering the Total Cost of Insurable Risk (TCOIR).

To ensure the continuity of operations in the event of a business interruption, AEV and its Subsidiaries are continuously reviewing, testing and enhancing their Business Continuity Plans.

Some of the enhancements are:

(a) To utilize information disseminated by WPF to ensure typhoon preparations of each Business Unit is in place prior to landfall, and to tap Business Units outside the typhoon path to provide support on affected units;

(b) To include emergency exercises related to natural calamities as part of the annual drill roster from flooding to earthquake, and to evaluate existing measures in a simulated scenario to ensure that facilities are able to respond effectively and safely; and
(c) To develop new Business Continuity Plans to address newly identified scenarios triggered by changing risks and issues the Group faces.

Financial Risks

In the course of the business operations of AEV and its Business Units, they are exposed to financial risks, namely:

(a) Interest rate risk resulting from movements in interest rates that may have an impact on outstanding long-term debt;
(b) Credit risk involving possible exposure to counter-party default on its cash and cash equivalents, available-for-sale investments and trade and other receivables;
(c) Refinancing and liquidity risk in terms of the proper matching of the type of financing required for specific investments as well as maturity of these loans; and
(d) Foreign exchange risk in terms of forex fluctuations that may significantly affect foreign currency-denominated placements, transactions and borrowings.

Commodity Price Risk

AEV Business Units engaged in food and power have raw material and fuel requirements that are subject to price, freight and foreign exchange volatility factors. Fluctuation in any of these volatile elements, individually or combined, will result to increases in the operating costs of these Business Units.

To address these exposures, the Business Units' respective management teams have taken a more active role in understanding the markets, including entering into contracts and hedge positions with different suppliers of these commodities.

AboitizPower Subsidiaries have undertaken a deliberate shift to capacity-based contracts for the bulk of its PSAs. Such contracts come with a provision for the pass-through of fuel costs, where fuel prices are indexed versus the commodity markets for oil and coal for the energy generated by the AboitizPower Business Units.

Project Risk

AEV and its Subsidiaries are on the lookout for major investment opportunities and projects in the power, food, infrastructure and real estate sectors. AEV also intends to participate in bidding for projects in the government's PPP program. Given the variance in the scale and complexity of these projects, there are inherent risks and issues, such as project completion and execution within budget and timelines.

In order to manage these risks, AEV takes effort to select the right partners, engage reputable contractors and third party suppliers, obtain insurance, and implement a project risk management framework. This includes identifying, assessing and managing risks at various stages of a project's life cycle – pre-development, development and during execution. A regular review of the project risk management plans is also being done to monitor the implementation of risk control measures.

Cyber Risks

The business benefits offered to organizations by technologies, such as the Internet, cloud computing, mobile devices and social media introduce a range of new risks as well as cause existing risks to evolve. Together with the threats of hacking, malware, phishing and other forms of attacks cyber risks are key risks that the Aboitiz Group needs to closely monitor.

Sound security measures are currently in place, including an information security management system, for the Aboitiz Group. The Company is continually enhancing its security measures, including an analysis of key vulnerabilities and exposures caused by cyber risks and putting in place a risk strategy for each type of risk.

In 2016, management approved the implementation of a standard framework across the Aboitiz Group for Information Security Management System (ISMS) to ensure that all Business Units have proper mitigating controls in place. This initiative is expected to be completed by December 2018. The Aboitiz Information Security Management Policy, including key IT security policies, was developed and cascaded across the Group to ensure that information security controls are in place. Detailed procedures, standards and guidelines will further be developed to support its implementation.

Item 2. Properties

The office space occupied by AEV is leased from a third party.

On a consolidated basis, the property, plant and equipment of the Group were valued at ₱201.9 bn and ₱144.0 bn as of December 31, 2016 and 2015, respectively. Breakdown of these assets is as follows:

PROPERTY, PLANT AND EQUIPMENT AS OF DECEMBER 31	2016	2015
Power, Plant & Equipment	₱137,176,902	₱99,606,874
Transmission & Distribution Equipment	16,043,761	14,721,395
Machinery & Equipment	5,997,681	5,064,989
Buildings, Warehouses and Improvements	25,605,389	17,267,337
Office Furniture, Fixtures and Equipment	4,498,864	3,930,852
Transportation Equipment	1,893,622	1,427,757
Land	2,054,603	1,881,393
Leasehold Improvements	3,562,062	3,502,183
Handling Equipment	255,589	246,092
Flight Equipment	1,021,263	1,013,552
Construction in progress	44,469,763	25,770,746
Others	1,575,679	1,171,031
	244,155,178	175,604,201
Less: Accumulated Depreciation and Amortization	42,260,409	31,606,499
TOTALS	**₱201,894,769**	**₱143,997,702**

Note: Values for the above table are in thousand Philippine Pesos.

Projected capital expenditures will be reflected in the relevant portion of the financial statements of the Company.

To participate in infrastructure biddings, projects and opportunities that become available to the Company, the Company expanded its current core businesses to include infrastructure. It intends to participate in infrastructure works under the PPP Program of the government and any other project that becomes available to the Group.

Property, plant and equipment with carrying amount of ₱117.0 bn and ₱43.5 bn as of December 31, 2016 and 2015, respectively, are used to secure the Group's long-term debts. For further details refer to the Note 19 of the AEV 2016 consolidated financial statements.

Locations of Principal Properties and Equipment of AEV Subsidiaries are as follows:

SUBSIDIARY	DESCRIPTION	LOCATION	CONDITION
Cotabato Light	Industrial land, buildings/plants, equipment and machineries	Sinsuat Avenue, Cotabato City	In use for operations
Davao Light	Industrial land, buildings/plants, equipment and machineries	P. Reyes Street, Davao City and Bajada, Davao City	In use for operations
VECO	Industrial land, buildings/plants, equipment and machineries	Jakosalem Street, Cebu City and J. Panis Street, Cebu City	In use for operations
Pilmico	Industrial land, buildings/plants, equipment and machineries	Kiwalan Cove, Dalipuga, Iligan City	In use for operations

SUBSIDIARY	DESCRIPTION	LOCATION	CONDITION
Hedcor	Hydropower plants	Kivas, Banengneng, Benguet; Beckel, La Trinidad, Benguet; Bineng, La Trinidad, Benguet; Sal-angan, Ampucao, Itogon, Benguet; and Bakun, Benguet	In use for operations
Hedcor Sibulan	Hydropower plants	Santa Cruz, Davao del Sur	In use for operations
Hedcor Tudaya	Hydropower plant	Santa Cruz, Davao del Sur	In use for operations
Hedcor Sabangan	Hydropower plant	Namatec, Sabangan, Mountain Province	In use for operations
CPPC	Bunker-C thermal power plant	Cebu City, Cebu	In use for operations
EAUC	Bunker-C thermal power plant	Lapu-Lapu City, Cebu	In use for operations
APRI	Geothermal power plants	Tiwi, Albay; Caluan, Laguna; Sto. Tomas, Batangas	In use for operations
TMI	Barge-mounted diesel power plants	Nasipit, Agusan del Norte and San Roque, Maco, Compostela Valley	In use for operations
PANC	Industrial land, buildings/plants, equipment and machineries	Barangay Sto. Domingo ll, Capas, Tarlac	In use for operations
TMO	Barge-mounted diesel power plants	Navotas Fishport, Metro Manila	In use for operations
GNPower - Mariveles	Coal-fired thermal power plant	Mariveles, Bataan	In use for operations
TVI	Land	Bato, Toledo, Cebu	For plant site
LEZ	Industrial land, buildings/plants, equipment and machineries	Lipa City and Malvar, Batangas	In use for operations
BEZ	Buildings/plants, equipment and machineries	Balamban, Cebu	In use for operations
TSI	Coal-fired thermal power plants	Davao City and Davao del Sur	In use for operations
AboitizLand	Raw land and improvements	Metro Cebu, Balamban, Cordova, Mactan, Liloan, Samar, Misamis Oriental, Davao	Existing or undergoing development; for future use
Lima Land	Raw land and improvements	Lipa and Malvar, Batangas	Existing or undergoing development; for future use
Aseagas	Raw land and improvements	Lian, Batangas	Undergoing development
PETNET	Raw land and improvements	Better Living Subdivision, Parañaque City	In use for operations
PETNET	Raw land and improvements	J. Catolico Avenue cor. Matco Road, Lagao, General Santos City	In use for operations

Item 3. Legal Proceedings

AEV and its Subsidiaries are currently involved in various legal proceedings in the ordinary conduct of their businesses. The Company believes that the results of these actions will not have a material effect on the Company's financial position and results of operations.

The material pending legal proceedings involving the Company and its Subsidiaries are as follows:

G.R. No. 210245 entitled "Bayan Muna Representative Neri Javier Colmenares, et al. v Energy Regulatory Commission, et al.", Supreme Court; December 19, 2013
G.R. No. 210255 entitled "National Association of Electricity Consumers for Reforms, et al. v Manila Electric Company, et al.", Supreme Court; December 20, 2013
G.R. No. 210502 entitled "Manila Electric Company, et al. v Philippine Electricity Market Corporation, et al.", Supreme Court; January 8, 2014

On December 19, 2013, Bayan Muna representatives filed a Petition for Certiorari against ERC and the MERALCO with the Supreme Court, questioning the alleged substantial increase in MERALCO's power rates for the billing period of November 2013.

These cases raised, among others: (i) the legality of Section 6, 29 and 45 of the EPIRA; (ii) the failure of ERC to protect consumers from high prices of electricity; and (iii) the alleged market collusion by the generation companies.

These cases were consolidated by the Supreme Court, which issued a TRO preventing MERALCO from collecting the increase in power rates for the billing period of November 2013. The TRO was subsequently extended by the Supreme Court for another 60 days, or until April 22, 2014. On April 22, 2014, the Supreme Court extended the TRO indefinitely.

MERALCO filed a counter-petition impleading all generation companies supplying power to the WESM to prevent the generation companies from collecting payments on power purchased by MERALCO from the WESM. The Supreme Court also ordered all power industry participants (the DOE, ERC, PEMC, PSALM and the generation companies) to respond to MERALCO's counter-petition.

The Supreme Court set the consolidated cases for oral arguments last January 21, 2014, February 4 and 11, 2014. After oral arguments, all parties were ordered to file their comments and/or memoranda. MERALCO has been prevented from collecting the differential increase of the price hike. Because of MERALCO's counter-petition against the generation companies, the PEMC withheld settlement of the power purchases during the covered period.

The cases before the Supreme Court are pending resolution.

ERC Case No. 2014-021 MC entitled "In the Matter of the Prices in the WESM for the Supply Months of November and December 2013 and the Exercise by the Commission of its Regulatory Powers to Intervene and Direct the Imposition of Regulated Prices therein without Prejudice to the On-going Investigation on the Allegation of Anti-Competitive Behavior and Possible Abuse of Market Power Committed by Some WESM Participants"
March 28, 2014

The ERC conducted an investigation on the alleged collusion by the generation companies to raise the WESM prices. Subsequently, the ERC issued an Order in ERC Case No. 2014-021 MC dated March 28, 2014 (the "ERC Order"), declaring as void the Luzon WESM prices during the November and December 2013 supply months. The ERC also declared the imposition of regulated prices for such billing periods and directed the PEMC to calculate the regulated prices and implement the same in the revised November and December 2013 WESM bills of the concerned distribution utilities in Luzon, except for MERALCO whose November 2013 WESM bill was maintained in compliance with the TRO issued by the Supreme Court.

The ERC also ordered the PEMC, through its Enforcement and Compliance Office (ECO) to conduct an investigation, within a period of no less than 90 days, on the alleged violation of the Must-Offer-Rule (MOR).

Pursuant to the ERC Order, on March 18, 2014, the PEMC issued adjusted billing statements for all generators trading in the WESM, including Cebu- based EAUC and CPPC, recalculating the WESM prices.

The Company's Affiliates and Subsidiaries, APRI, TLI, TMO, AESI, AdventEnergy, SN Aboitiz Power-Magat, SN Aboitiz Power-Benguet, CPPC and EAUC filed their respective Motions for Reconsideration, questioning the validity of the ERC Order on the ground of lack of due process, among others. In its March 27, 2014 Order, the ERC ordered deferral of PEMC's implementation of the adjusted billing statements for 45 days. This was subsequently extended with no clear timeline by the ERC in its order dated June 6, 2014.

The ERC, in its Order dated October 15, 2014, denied said Motions for Reconsideration. SN Aboitiz Power-Benguet, SN Aboitiz Power-Magat, APRI, TLI, TMO filed their Petitions for Review (the "Petitions") before the Court of Appeals on November 19, 24, December 1, and 4, 2014, respectively. The Court of Appeals ordered the consolidation of the Petitions on October 9, 2015. The case is still pending with the Court of Appeals.

SC GR No. 224341 entitled Philippine Electricity Market Corporation vs Therma Mobile, Inc., Supreme Court
[CA G.R. SP No. 140177 entitled "PEMC v. Therma Mobile Inc.", Court of Appeals, Manila]
[SP Proc. No. 12790 entitled "Therma Mobile Inc. v. PEMC", Regional Trial Court Branch 157-Pasig City]
[PEMC ECO-2014-0009 entitled "Therma Mobile, Inc. (TMO Power Plants Units 1-4) Possible Non-Compliance with Must-Offer-Rule, Investigation Summary Report, dated August 4, 2014"]

The PEMC-ECO conducted an investigation on TMO for possible non-compliance with the MOR for the period October 26, 2013 to December 25, 2013.

PEMC-ECO concluded that TMO was non-compliant with the MOR for 3,578 intervals and recommended a penalty of ₱234.9 mn.

TMO filed its letter request for reconsideration on September 5, 2014, contending that it did not violate the Must-Offer-Rule because its maximum available capacity was limited to 100 MW due to: (i) the thermal limitations of the old TMO 115-kV transmission line; and (ii) the technical and mechanical constraints of the old generating units and the component engines of the TMO power plants which were under various stages of rehabilitation.

In its letter dated January 30, 2015, the PEMC Board of Directors (PEMC Board) denied TMO's request for reconsideration and confirmed its earlier findings of breach of 3,578 counts under the Must-Offer-Rule and sustained the imposition of financial penalties amounting to ₱234.9 mn on TMO. According to the PEMC Board, the penalties will be collected from TMO through the WESM settlement process.

TMO maintains that there is no basis for the PEMC decision. TMO did not withhold any capacity for the period covered, as it was physically impossible for TMO to transmit more than 100 MW to MERALCO. Although TMO's rated capacity is 234 MW (net), it could only safely and reliably deliver 100 MW during the November and December 2013 supply period because of limitations of its engines and the 115-kV transmission line. This temporary limitation of TMO's plant was confirmed during a dependable capacity testing conducted on November 21, 2013. At this period, TMO's engines and transmission lines were still undergoing rehabilitation after having been non-operational for the last five years.

On February 13, 2015, TMO filed a Notice of Dispute with the PEMC to refer the matter to dispute resolution under the WESM Rules, WESM Dispute Resolution Market Manual and the ERC-PEMC Protocol.

On February 16, 2015, TMO filed an Urgent Petition for the Issuance of Interim Measures of Protection for the Issuance of a Writ of Preliminary Injunction with prayer for Temporary Order of Protection before the Pasig City RTC . In its Order dated February 24, 2015, the RTC granted TMO a 20-day temporary order of protection and directed PEMC to: (i) refrain from demanding or collecting the amount of ₱234.9 mn as financial penalty; (ii) refrain from charging interest on the financial penalty and having the same accrue; and (iii) refrain from transmitting PEMC-ECO's investigation report to the ERC. TMO posted a bond in the amount of ₱234.9 mn to answer for any damage that PEMC may suffer as a result of the Order. On April 1, 2015, the RTC rendered a Decision in favor of TMO. PEMC filed a Petition for Review with Prayer for Temporary Restraining Order and/or Writ of Preliminary Injunction before the Court of Appeals (CA) which sought to reverse and set aside the Decision of the RTC.

On December 14, 2015, the CA rendered a Decision denying PEMC's Petition for Review and affirming the April 1, 2015 Decision of RTC in favor of TMO.

On June 6, 2016, PEMC filed a Petition for Review on Certiorari with the Supreme Court to assail the December 14, 2015 CA Decision. This petition is still pending before the Supreme Court.

Item 4. Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this report.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

(1) Market Information

AEV's common shares are traded in the Philippine Stock Exchange, Inc.

The high and low stock prices of AEV's common shares for each quarter for the past two years and first quarter of 2017 were as follows:

	2017		2016		2015	
	High	Low	High	Low	High	Low
First Quarter	75.30	70.55	65.00	54.40	59.00	53.55
Second Quarter	N/A	N/A	79.00	63.70	58.50	54.50
Third Quarter	N/A	N/A	84.40	72.85	59.00	51.95
Fourth Quarter	N/A	N/A	66.95	80.00	58.10	54.90

The closing price of AEV common shares, as of March 31, 2017 is ₱74.45 per share.

(2) Holders

As of March 31, 2017, AEV has 9,144 stockholders of record, including PCD Nominee Corporation (Filipino) and PCD Nominee Corporation (Foreign). Common shares outstanding as of same date were 5,633,792,557 shares.

The top 20 stockholders of AEV as of March 31, 2017 are as follows:

	STOCKHOLDER	NATIONALITY	COMMON SHARES	% OF TOTAL COMMON SHARES ISSUED
1	Aboitiz & Company, Inc.	Filipino	2,735,600,915	48.56%
2	PCD Nominee Corporation (Filipino)	Filipino	770,566,319	13.68%
3	PCD Nominee Corporation (Foreign)	Non-Filipino	548,229,246	9.73%
4	Ramon Aboitiz Foundation, Inc.	Filipino	424,538,863	7.54%
5	Sanfil Management Corporation	Filipino	120,790,211	2.14%
6	Chanton Management & Development Corporation	Filipino	62,118,484	1.10%
7	Windemere Management & Development Corporation	Filipino	49,666,352	0.88%
8	Donya 1 Management & Development Corporation	Filipino	43,136,356	0.77%
9	Morefund Management & Development Corporation	Filipino	40,000,000	0.71%
10	Anso Management Corporation	Filipino	34,369,707	0.61%
11	Bauhinia Management Inc.	Filipino	34,683,799	0.62%
12	Mario Ugarte	Filipino	23,531,731	0.42%
13	MYA Management & Development Corporation	Filipino	22,494,414	0.40%
15	Luis Miguel O. Aboitiz	Filipino	20,092,133	0.36%
16	Guada Valley Holdings Corporation	Filipino	17,688,445	0.31%

	STOCKHOLDER	NATIONALITY	COMMON SHARES	% OF TOTAL COMMON SHARES ISSUED
17	Parraz Development Corporation	Filipino	14,483,067	0.26%
18	Ma. Cristina; Jaime Jose Aboitiz; Luis Alfonso Aboitiz	Filipino	13,605,767	0.24%
19	Annabelle O. Aboitiz	Filipino	12,275,834	0.22%
20	Mary Anne Aboitiz Arculli	Filipino	10,767,556	0.19%
21	Arrayanes Corporation	Filipino	10,650,070	0.19%
	SUB-TOTAL		**5,009,289,272**	**88.93%**
	Other Stockholders		**624,503,285**	**11.07%**
	TOTAL SHARES		**5,633,792,557**	**100.00%**
	NET ISSUED AND OUTSTANDING SHARES		**5,633,792,557**	**100.00%**

(3) Dividends

The cash dividends declared by AEV to common stockholders from fiscal year 2015 to the first quarter of 2017 are shown in the table below:

Year	Cash Dividend Per Share	Declaration Date	Total Declared	Record Date	Payment Date
2017 (regular)	₱1.33	03/07/2017	₱7.49 bn	03/21/20167	04/10/2017
2016 (regular)	₱1.06	03/08/2016	₱5.89 bn	03/22/2016	04/19/2016
2015 (regular)	₱1.11	03/10/2015	₱6.15 bn	03/24/2015	04/20/2015

In a special meeting held on January 11, 2007, the AEV Board of Directors approved the policy of distributing at least one-third of its previous year's earnings as cash dividends to its stockholders for subsequent years.

(4) Recent Sales of Unregistered or Exempt Securities, Including Recent Issuance of Securities Constituting an Exempt Transaction

AEV does not have any recent sales of unregistered or exempt securities including recent issuances of securities constituting an exempt transaction.

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)

M. JASMINE S. OPORTO	**(02) 886-2729**
Contact Person	Company Telephone Number

12 31	**LETTER**	3rd Monday of **05 15**
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

Remarks = Pls. use black ink for scanning purposes

aboitiz
Equity Ventures

March 31, 2017

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

Securities and Exchange Commission
Electronic Records Management Division
MAR 3 1 2017
BY:
RECEIVED SUBJECT TO REVIEW OF FORM AND CONTENTS

Attention: Dir. Vicente Graciano P. Felizmenio, Jr.
Market and Securities Regulation Department

Dear Sir:

Re: SEC Form 17-Q for First Quarter 2017

This refers to Aboitiz Equity Ventures, Inc.'s (AEV) SEC Form 17-Q for first quarter 2017 (Quarterly Report), which is due on or before May 15, 2017. As in the previous years, the Company undertakes to distribute copies of the Quarterly Report to the Company's stockholders during our Annual Stockholders' Meeting on May 15, 2017.

We trust everything is in order.

Thank you.

Very truly yours,

ABOITIZ EQUITY VENTURES
By:

M. Jasmine S. Oporto
Corporate Secretary

Item 6. Management's Discussion and Analysis or Plan of Action

Year ended December 31, 2016 vs. Year ended December 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF ACTION OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of the financial condition and results of operations of Aboitiz Equity Ventures, Inc. ("AEV" or the "Company" or the "Parent Company") and its subsidiaries should be read in conjunction with the audited consolidated financial statements and accompanying disclosures set forth elsewhere in this report.

TOP FIVE KEY PERFORMANCE INDICATORS

Management uses the following indicators to evaluate the performance of the registrant and its subsidiaries:

1. EQUITY IN NET EARNINGS OF INVESTEES

Equity in net earnings (losses) of investees represents the group's share in the undistributed earnings or losses of its associates and joint ventures for each reporting period subsequent to acquisition of said investment. This account reflects the result of the operating performance of an associate or a joint venture and indicates its contribution to the group's consolidated net income.

Manner of Computation: Investee's Net Income (Loss) x Investor's % ownership - Goodwill Impairment Cost

2. EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION & AMORTIZATION (EBITDA)

The Company computes EBITDA as earnings before extra-ordinary items, net finance expense, income tax provision, depreciation and amortization. It provides management and investors with a tool for determining the ability of the group to generate cash from operations to cover financial charges and income taxes. It is also a measure to evaluate the group's ability to service its debts and to finance its capital expenditure and working capital requirements.

3. CASH FLOW GENERATED

Using the Statement of Cash Flows, management determines the sources and usage of funds for the period and analyzes how the group manages its profit and uses its internal and external sources of capital. This aids management in identifying the impact on cash flow when the group's activities are in a state of growth or decline, and in evaluating management's efforts to control the impact.

4. CURRENT RATIO

Current ratio is a measurement of liquidity, calculated by dividing total current assets by total current liabilities. It is an indicator of the group's short-term debt paying ability. The higher the ratio, the more liquid the group.

5. DEBT-TO-EQUITY RATIO

Debt-to-Equity ratio gives an indication of how leveraged the group is. It compares assets provided by creditors to assets provided by shareholders. It is determined by dividing total debt by stockholders' equity.

KEY PERFORMANCE INDICATORS (KPI)
(Amounts in thousands of ₱s, except financial ratio data)

	JAN-DEC 2016	JAN-DEC 2015
EQUITY IN NET EARNINGS OF INVESTEES	**9,651,787**	6,589,452
EBITDA	**48,127,754**	40,171,067
CASH FLOW GENERATED:		
Net cash flows from operating activities	**32,013,422**	27,258,985
Net cash flows used in investing activities	**(84,668,374)**	(36,592,531)
Net cash flows from financing activities	**52,848,445**	22,392,911
Net Increase in Cash & Cash Equivalents	**193,493**	13,059,365
Cash & Cash Equivalents, Beginning	**63,581,884**	50,481,566
Cash & Cash Equivalents, End	**63,857,528**	63,581,884
	DEC. 31, 2016	**DEC. 31, 2015**
CURRENT RATIO	**2.51**	2.84
DEBT-TO-EQUITY RATIO	**1.68**	1.31

DISCUSSION OF KEY PERFORMANCE INDICATORS:

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

Management teams of the different businesses continued to effectively handle their respective operations and financial requirements. As a result, profitability had been sustained and financial position remained strong and liquid.

Associates continued to generate substantial earnings and enhance the consolidated bottomline with the 46% rise in their income contribution to the Group. Consolidated EBITDA, which increased by 20%, 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, settle maturing financial obligations and pay cash dividends.

With higher borrowings at the end of December 2016, debt-to-equity ratio edged up to 1.68x (versus end-2015's 1.31x). Meanwhile, current ratio stood at 2.51x (versus end-2015's 2.84x) as increase in current liabilities outpaced the increase in current assets.

REVIEW OF JAN-DEC 2016 OPERATIONS VERSUS JAN-DEC 2015

RESULTS OF OPERATIONS

For the year ended December 2016, AEV and its subsidiaries posted a consolidated net income of ₱22.47 billion, a 27% YoY increase. This translates to an earnings per share of ₱4.02 for the year in review. In terms of income contribution, Power Group still accounted for the bulk at 65%, followed by the Banking and Financial Services, Food, Infrastructure and Real Estate Groups at 21%, 7%, 7% and 1%, respectively.

The Group generated a non-recurring net loss of ₱347 million (versus ₱602 million loss in 2015) mainly from the Power unit's refinancing costs and goodwill impairment, partly offset by the net foreign exchange gains from revaluation of dollar-denominated assets and liabilities. Stripping out these one-off items, the Group’s core net income for the year amounted to ₱22.82 billion, up 25% YoY.

BUSINESS SEGMENTS

The individual performance of the major business segments is discussed as follows:

Power

Aboitiz Power Corporation (AP) ended the year with an income contribution of ₱15.38 billion, a 14% increase from last year's ₱13.53 billion.

Power generation group's bottomline contribution to AEV increased by 17% to ₱12.50 billion from ₱10.70 billion last year. This was substantially attributed to the full-year income contribution of Therma South, Inc. (TSI) which started to generate earnings in September 2015.

AP’s attributable energy sold for the year in review grew by 8% YoY, from 12,550 gigawatt hours (GWh) to 13,495 GWh, mainly due to the 8% YoY growth in power sales through bilateral contracts. In line with the group’s efforts to reduce its exposure to spot market sales, bilateral sales constitute 91% of total power sold. Spot market sales likewise increased by 4% YoY to 1,216 GWh.

As of year-end 2016, AP's net sellable capacity stood at 2,975 MW after the PCC approval of the acquisition of GNPower Mariveles Coal Plant Ltd. Co. (GMCP).

On the other hand, AP's distribution group's earnings contribution to AEV decreased by 4% from ₱2.92 billion to ₱2.82 billion. Attributable electricity sales rose by 7% to 5,105 GWh from 4,759 GWh last year as energy sales grew across all customer segments. However, gross margin per kWh in 2016 decreased to ₱1.59 from ₱1.61 last year. The decline mostly came from the under-recoveries as a result of a shift in supply mix.

Banking and Financial Services

Income contribution from this industry group grew 93%, from ₱2.54 billion to ₱4.91 billion for the year in review.

Union Bank of the Philippines (UBP) income contribution rose 94% from ₱2.53 billion to ₱4.91 billion mainly due to profits from the sale of securities, coupled with higher net interest income and fees posted during the year. Net interest income surged by 24% to ₱14.8 billion as UBP continued the build-up of its earning asset portfolio. Fee income likewise increased by 19% to ₱4.4 billion attributed to the increasing customer base in both loans and deposits.

Food

Income contribution from Pilmico Foods Corporation (Pilmico) and its subsidiaries increased slightly by 1% to ₱1.73 billion from ₱1.71 billion in the previous year. Feeds Philippines and Flour reported an increase in income contributions, while Feeds Vietnam and Farms both showed a decrease. Feeds Philippines income contribution increase was due to strong volume growth while Flour's improvement was a result of better performance of its by-products. On the other hand, Feeds Vietnam reported a decline in income contribution mainly due to lower selling prices and volume. For Farms, the significant drop in live hog prices more than offset the rise in volume on account of sow level expansion.

Real Estate

Income contribution of AboitizLand amounted to ₱188 million, 65% down from last year's ₱536 million. Revenue at ₱2.4 billion posted a 7% decline from last year mainly due to deferred industrial business unit revenue recognition. The decline in net income was mainly due to the increase in opex spending to strengthen the organization and to support entry into the national real estate scene. In addition, AboitizLand recognized a fair valuation gain on investment properties in 2015, which did not recur in 2016.

Infrastructure

Newly-acquired infrastructure companies started contributing in mid-September 2015 and posted a combined income contribution of ₱1.55 billion for 2016, up 700% from ₱194 billion in 2015.

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

For the year ended December 31, 2016, consolidated net income allocable to the equity holders of AEV registered a 27% YoY increase, reaching ₱22.47 billion from ₱17.68 billion posted in the previous year.

Operating profit for the current year amounted to ₱28.9 billion, a 5% increase YoY, as the ₱5.16 billion increase in revenues surpassed the ₱3.65 billion rise in costs and expenses. This increase was mainly attributed to the performance of the Power Group.

Power subsidiaries reported a 7% YoY increase in operating profit from ₱24.69 billion to ₱26.31 billion mainly due to the growth in EBIT of the Therma Power subsidiaries attributed to the full-year EBIT contribution from TSI.

Share in net earnings of associates rose by 46% YoY (₱9.65 billion vs ₱6.59 billion in 2015) largely due to the growth in net income of UBP resulting from higher net interest income and substantial gains from sale of securities and full-year equity earnings contribution of infrastructure group.

The growth in equity earnings and other income, coupled with an increase in operating profit, more than offset the increase in net interest expense, and as a result, pulled up the Group's overall profitability. Net interest expense increased by ₱1.38 billion YoY resulting from higher level of debt.

Other Income reached ₱2.50 billion from ₱224 million in 2015 mainly due to TSI's collection of insurance proceeds from settlement of liquidated damages, AP's gain on step acquisition of EAUC, and lower foreign exchange losses.

Net income attributable to non-controlling interests increased to ₱6.18 billion from ₱5.48 billion in 2015, substantially due to the increase in AP's net income, 23% of which belongs to minority shareholders.

AEV's consolidated comprehensive income attributable to equity holders correspondingly increased by 42% from ₱15.54 billion in 2015 to ₱22.07 billion in 2016. The 27% increase in consolidated net income, combined with the 92% drop in AEV's share of an associate's unrealized mark-to-market losses on its available-for-sale (AFS) investments, accounted for this growth.

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

Assets

Compared to year-end 2015 level, consolidated assets increased 36% to ₱464.08 billion as of December 31, 2016, due to the following:

a. Trade and other receivables, inclusive of noncurrent portion, rose by 16% (₱22.01 billion vs ₱19.05 billion as of December 31, 2015) mainly due to the first-time consolidation of ₱2.15 billion receivable accounts of newly-acquired subsidiary, GMCP, and higher receivables of the real estate group.

b. Inventories increased by 29% (₱10.22 billion vs ₱7.95 billion as of December 31, 2015) mainly due to the increase in power group's coal inventory as a result of the first-time consolidation of GMCP's accounts.

c. Derivative Assets, net of derivative liabilities (current and non-current) increased by 43% (₱805 million vs ₱563 million as of December 31, 2015) as a result of the first-time consolidation of GMCP's derivative instruments valued at ₱524 million, partly offset by the ₱282 million combined mark-to-market and realized swap losses on the other existing derivatives.

d. Other Current Assets increased by 48% (₱9.58 billion vs ₱6.49 billion as of December 31, 2015) substantially due to the recording of TSI's ₱2.10 billion restricted cash to comply its project debt covenant and the ₱679 million new prepaid accounts of GMCP.

e. Gross of depreciation expense, the resulting ₱65.48 billion combined growth in Property Plant and Equipment (PPE), Investment Properties (IP), and Land and Improvements (LI) was mainly due to the following: 1.) ₱28.4 billion ongoing construction of AP's power plants and Food Group's swine farms and plant facilities; 2.) ₱1.4 billion acquisition of AP generation and distribution assets; 3.) ₱34.4 billion first-time consolidation of EAUC and GMCP assets; and 4.) ₱917 million additional lot purchases by Real Property Group.

f. Investments in and Advances to Associates increased by 18% (₱86.95 billion vs ₱73.43 billion as of December 31, 2015) mainly due to the ₱11.2 billion acquisition of GNPower Dinginin Ltd. Co. (GNPD) by AP, ₱587 million purchase of UBP shares, ₱596 million capital infusion into San Carlos Sun Power, Inc. (Sacasun), Maaraw Holdings San Carlos, Inc. and RP Energy by AP, and recording of ₱9.65 billion share in net earnings of associates. This increase was partially reduced by the ₱8.04 billion cash dividends received from associates, ₱232 million de-equitized investment in EAUC, and ₱190 million share of a banking associate's mark-to-market loss on its AFS investments during the current year.

g. Available-for-Sale (AFS) Investments increased by 53% (₱564 million vs ₱368 million as of December 31, 2015) mainly due to additional acquisitions made during the current year.

h. Deferred Income Tax Assets increased by 216% (₱2.21 billion vs ₱700 million as of December 31, 2015) mainly due to the corresponding deferred tax benefits recognized on the unrealized foreign exchange losses, actuarial losses on defined benefit plans and impairment provisions of the Group during the current year.

i. Goodwill increased by 1741% (₱38.18 billion vs ₱2.07 billion as of December 31, 2015) due to the ₱36.27 billion positive goodwill generated from AP's acquisition of GMCP, partly offset by the impairment of goodwill amounting to ₱169 million on the investment in MEZ.

j. Other Noncurrent Assets increased by 46% (₱15.22 billion vs ₱10.43 billion as of December 31, 2015) primarily due to the build-up of deferred input VAT by Power Group arising from the ongoing construction of its power plants, and the ₱2.88 billion loan extended by ARI to Sacasun.

Liabilities

Consolidated short-term bank loans decreased by 7% (₱8.26 billion vs ₱8.88 billion as of December 31, 2015) mainly due to loan repayments made by Power Group. On the other hand, long-term debt increased by 63% (₱247.81 billion vs ₱152.46 billion as of December 31, 2015) substantially due to the ₱31.0 billion bridge financing availed by TPI to fund GMCP acquisition, ₱28.02 billion combined additional loan availment by TVI, PEC, Hedcor Bukidnon and Aseagas to finance ongoing plant constructions, ₱26.47 billion first-time consolidation of GMCP debt, and ₱15.98 billion new loan availment by APRI and Hedcor Sibulan. This was reduced by ₱6.12 billion payment of finance lease and loan amortizations, and financing costs on new loan availments.

Trade and other payables, inclusive of noncurrent portion, increased by 22%, from ₱18.87 billion to ₱23.02 billion, mainly due to the increase in payables to suppliers and contractors of certain power subsidiaries and a joint operation investee as a result of ongoing plant construction, and first-time consolidation of GMCP's ₱1.81 billion accounts.

Income tax payable decreased by 28% from ₱957 million to ₱685 million due to recording of lower income tax liability of Power and Food Groups during the current year.

Customers deposits increased by 7%, from ₱6.58 billion to ₱7.04 billion mainly due to the growth in the customer base of power distribution subsidiaries and additional deposits from retail electricity supply (RES) customers.

Asset retirement obligation (ARO) decreased by 40% from ₱3.02 billion to ₱1.82 billion as a result of the change in the estimated future costs.

Pension liability, net of pension asset, decreased by 64%, from ₱649 million to ₱232 million, mainly on account of retirement contributions made by AEV, AP and the majority of the subsidiaries during the current year.

Equity

Equity attributable to equity holders of the parent increased by 19% from year-end 2015 level of ₱118.22 billion to ₱140.28 billion, mainly due to the following: 1.) ₱16.59 billion increase in Retained Earnings resulting from the ₱22.47 billion net income recorded during the year, reduced by the ₱5.89 billion cash dividends paid, and 2.) ₱5.87 billion sale of treasury shares. This was partly offset by the ₱368 million additional share in UBP's unrealized mark-to-market losses on its AFS investments and actuarial losses on its defined benefit plans.

MATERIAL CHANGES IN LIQUIDITY AND CASH RESERVES OF REGISTRANT

For the year ended December 2016, the Group continued to support its liquidity mainly from cash generated from operations, additional loans availed and dividends received from associates.

Compared to the cash inflow in 2015, consolidated cash generated from operating activities in 2016 increased by ₱4.75 billion to ₱32.01 billion mainly due to the significant growth in earnings before interest, depreciation and amortization (EBIDA) recorded by subsidiaries during the current year despite higher income taxes paid.

The current period ended up with ₱84.67 billion net cash used in investing activities versus ₱36.59 billion last year. This was mainly due to higher funds spent on the ongoing plant constructions, acquisition of GMCP and GNPD, and step acquisition of EAUC.

Net cash from financing activities was ₱52.85 billion versus ₱22.39 billion in 2015. This was largely attributed to the Group's higher level of long-term loan availments during the current year, coupled with higher cash generated from the sale of treasury shares.

For the year in review, net cash inflows surpassed cash outflows, resulting in a 0.4% increase in cash and cash equivalents from ₱63.58 billion as of year-end 2015 to ₱63.86 billion as of December 31, 2016.

FINANCIAL RATIOS

Backed by strong operating cash inflows, liquidity was adequately preserved. Current ratio stood at 2.51x from 2.84x at the start of the year, since current liabilities grew stronger than current assets. Debt-to-equity ratio climbed to 1.68:1 (versus year-end 2015's 1.31:1). This was mainly due to the growth in total liabilities which outpaced the increase in equity.

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

With the Philippine GDP expanding by 7% in 2016 and the outlook robust, AEV and its Business Units will continue to sustain growth over the long-term. High hopes on promising growth prospects for the year led AEV to allocate ₱77 bn in capex in 2017, the bulk of which will be used for its power expansion projects.

Power

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. Generation Business

1. Expiration of Income Tax Holiday

   Several of the AboitizPower's plants are eligible for an ITH. Upon the expiration of the ITH, the respective plants will now be assessed a corporate income tax in accordance with the relevant laws.

   SN Aboitiz Power-Benguet's Ambuklao Plant obtained an ITH extension on February 26, 2013, which is valid until June 30, 2018.

2. Increase in Attributable Generating Capacity

Not withstanding the challenges over the short-term, AboitizPower has built the necessary foundation to sustain its growth trajectory over the long term. In line with its robust growth target of building 4,000 MW by 2020, AboitizPower will expand its portfolio of generation assets by implementing the following projects.

Greenfield and Brownfield Developments.

AboitizPower, together with its Subsidiaries and Associates, is in various stages of construction of its Greenfield and Brownfield projects.

420 MW Pulverized Coal-Fired Expansion Unit 3 in Pagbilao, Quezon. This project is undertaken by PEC, a partnership between AboitizPower Subsidiary TPI, and TEPEC. Last April 25, 2014, the EPC contract was awarded to a contractor consortium comprised of Mitsubishi Hitachi Power Systems Ltd, Daelim Industrial Co. Ltd., DESCO, Inc. and Daelim Philippines, Inc. The plant construction commenced last September 2014 and the target commercial operation is planned for year-end 2017.

340 MW CFB Coal-Fired Project in Toledo City, Cebu. This project is undertaken by TVI, a partnership between AboitizPower and Vivant. The project involves the construction of a 2 x 170 MW coal-fired power plant. The EPC contract was awarded to Hyundai Engineering Co. Ltd. The Notice to Proceed (NTP) for all EPC activities was issued on March 18, 2015. Targeted commercial operation is first quarter of 2018.

68.8 MW Manolo Fortich Hydropower Plant in Bukidnon. This project is composed of the 43.4 MW Manolo Fortich Hydro 1 and the 25.4 MW Manolo Fortich Hydro 2 plants which shall be located in the Province of Bukidnon. Both plants are expected to produce at least 350 GWh annually. The construction of the Manolo Fortich Project began in 2015 with a total project cost is estimated at ₱13 bn and is expected to be completed by the third quarter of 2017.

8.8 MW Biomass Plant in Lian, Batangas. Aseagas is a project that involves the construction of an initial biomass plant with a capacity of 8.8 MW. The construction commenced last March 18, 2014 and expected to be completed in 2017. Aseagas has already amended the BREOC with DOE. The DOE endorsement, which is one of the requirements for a point to point application with NGCP to secure certificate for FIT eligibility, has since been secured. At the moment, the FIT rate is expected to be at ₱6.63/kWh.

8.5 MW Maris Canal Hydropower Plant Project in Ramon Isabela. This project is undertaken by SN Aboitiz Power-Magat and involves the construction of an 8.5 MW run-of-river hydropower plant. The project, which broke ground in late 2015, is targeted to be completed by late 2017. As of February 2017, the project is already 66% completed.

Other Greenfield and Brownfield Developments.

668 MW Supercritical Coal-Fired GN Power Dinginin Unit 1 in Bataan. This project is a joint venture of AC Energy, Aboitiz Power Subsidiary, TPI, and Power Partners. The GNPower Dinginin Plant will initially consist of a 1 x 668 MW supercritical coal-fired power plant (with a one-time expansion option for an additional 1 x 668 MW supercritical unit). Unit 1 is currently under construction and estimated completion is in 2019.

660 MW CFB Coal-Fired Power Plant in Subic. This project is undertaken by RP Energy, a joint venture among Meralco PowerGen Corporation, Aboitiz Subsidiary, TPI, and TCIC. The project involves the construction and operation of a 2 x 300-MW (net) circulating-fluidized-bed coal-fired power plant. Full implementation of the project is ongoing with expected commercial operation of the power plant starting 2020.

390 MW Alimit Hydropower Complex in Ifugao. This project is undertaken by SN Aboitiz Power-Ifugao, Inc. and involves the construction of the 120 MW Alimit hydropower plant, 250 MW Alimit pumped storage facility, and the 20 MW Olilicon hydropower plant. SN Aboitiz Power remains committed in securing the necessary permits to develop the proposed 390-MW hydro complex project in Ifugao. Foremost here is the Free Prior and Informed Consent from the indigenous peoples. This consent is an important component of the feasibility review for the project.

Other Hydro in the Philippines. Aside from the hydro projects above, Hedcor continually explores hydropower potentials located in Luzon and Mindanao. Based on exploration, Hedcor sees the potential of building plants with capacities ranging from 20 MW to 70 MW. When the projects pass the evaluation stage and once permits are secured, the construction period for the hydropower plant facilities will commence.

Hydro in Indonesia. AboitizPower entered into an agreement with SN Power AS and PT Energi Infranusantara to participate in the feasibility studies for the exploration and development of a potential 127 MW hydropower generation project along the Lariang River in Central Sulawesi, Indonesia. The project company, PT Auriga Energi, was awarded the basic license to develop the project. It is and is currently conducting pre-feasibility studies.

Solar in the Philippines. AboitizPower is continuously looking for opportunities in the solar space.

3. Participation in the Government's Privatization Program for its Power Assets

AboitizPower continues to closely evaluate the investment viability of the remaining power generation assets that PSALM intends to auction off.

AboitizPower is also keen on participating in PSALM's public auction for the IPPA contracts, which involves the transfer of the management and control of total energy output of power plants under contract with NPC to the IPP administrators.

4. Naga Power Plant

Senator Sergio Osmeña filed a Petition for Certiorari with the SC to nullify the right to top granted by PSALM to SPC in respect of the 153.1 MW Naga Power Plant Complex bidding and to enjoin the award on the grounds that SPC's right to top is against public policy.

On February 14, 2017, AboitizPower was informed by TPVI that it received the Entry of Judgment dated January 9, 2017 issued by the SC. SPC has a pending Motion for Leave to File and Admit Motion for Reconsideration dated December 9, 2016 with the SC.

II. Distribution Business

AboitizPower remains optimistic that it will realize modest growth on its existing Distribution Utilities. It continually seeks efficiency and improvements in its operations to maintain healthy margins.

PBR replaced the RORB mechanism which has historically determined the distribution charges paid by customers. Under PBR, distribution utilities can collect from customers over a four-year regulatory period.

The ERC has implemented a 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 utilities are either rewarded or penalized, depending on their ability to meet these performance targets.

In April 2016, the ERC posted on its website the following documents: (1) Draft Rules for Setting Distribution Wheeling Rates or "RDWR" for Privately Owned Distribution Utilities Operating under PBR, First Entry Group, Fourth Regulatory Period; (2) Draft Position Paper: Regulatory Reset for the July 1, 2015 to June 30, 2019, Fourth Regulatory Period for the First Entry Group of Privately-Owned Distribution Utilities Subject to Performance Based Regulation; and (3) Draft Commission Resolution on the Issues on the Implementation of PBR for Privately Owned DUs under the RDWR. Comments on the said draft documents were submitted to the ERC on May 13, 2016.

Through ERC Resolution No. 25 Series of 2016 dated July 12, 2016, the ERC adopted the Resolution Modifying the RSDWR for Privately Owned Distribution Utilities Entering PBR. Based on said Resolution, the Fourth Regulatory Period shall be as follows:

(a) Cotabato Light: April 1, 2017 to March 31, 2021
(b) Davao Light and VECO: July 1, 2018 to June 30, 2022
(c) SEZ and SFELAPCO: October 1, 2019 to September 30, 2023

The ERC on November 21, 2016 posted for comments the draft Regulatory Asset Base Roll Forward Handbook for Privately Owned Electricity Distribution Utilities. Public consultations were conducted on January 6 and 9, 2017 in Cebu and Manila respectively.

There was a Petition filed by MSK, 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 in its main office, and on March 22 and 24 in its field offices in Cebu and Davao, respectively.

III. Market and Industry Developments

1. Retail Competition and Open Access (Open Access)

The implementation of Open Access starting June 26, 2013 enabled AboitizPower to increase its contracted capacity through the delivery of power to Affiliate and Non-Affiliate RES companies. AboitizPower has two wholly owned Subsidiaries, AESI and AdventEnergy, which are licensed RES.

In 2015, the DOE released Circular No. 2015-06-0010 with the following pertinent provisions:

(a) All Contestable Customers with an average demand of 1 MW and above, which are currently being served by their franchised Distribution Utilities, are mandated to secure their respective RSCs no later than June 25, 2016 with any licensed RES. After which, the Contestable Customers and its counterparty shall submit to the DOE and ERC their signed RSC for assessment, monitoring, policy and rule-making purposes.

(b) All Contestable Customers with an average demand ranging from 750 kW and 999 kW for the preceding 12-month period are mandated to secure their RSCs with a RES no later than June 25, 2016. Effective June 26, 2016, aggregators shall be allowed to compete with RES companies, generation companies, and prospective generation companies.

(c) Lowering Contestability Threshold Below 750 kW. All electricity end-users with an average demand ranging from 501 kW to below 750 kW for the preceding 12 months may be allowed to choose their respective RES effective June 26, 2018.

The lowering of the contestability threshold will open a new market, hence, an opportunity to expand and diversify AboitizPower's customer base.

In 2016, the ERC promulgated Resolution No. 5, Series of 2016 entitled "A Resolution Adopting the 2016 Rules Governing the Issuance of Licenses to Retail Electricity Suppliers (RES) and Prescribing the Requirements and Conditions Therefor", with the following pertinent provisions:

(a) Generation Company or affiliate, Distribution Utility affiliate (with restrictions on market share and conduct of business activity), Retail Aggregators and IPPAs are allowed entities to become RES.
(b) There is a stipulation that the ERC will not be precluded from imposing additional restrictions on the current issuance, separate guidelines issued or any future issuance.
(c) Resolution No. 22 shall continue to have full force and effect except as insofar that it is inconsistent with Resolution No. 5, Series of 2016.
(d) Resolution No. 5, Series of 2016 enumerates the qualifications for becoming a RES, including financial standards, B2B system, ability & knowledge, and treatment of cash deposits.
(e) It also enumerates the obligations of RES entities, including reportorial requirements, website, unbundling, compliance with qualifications stated above and other pertinent rules, laws, and compliance with limitation requirements.
(f) It also contains the process of obtaining a RES license, including the fee, and other reportorial requirements by ERC.

ERC further issued Resolution No. 10, Series of 2016 is entitled "A Resolution Adopting the Revised Rules for Contestability". It generally discusses the mandatory contestability dates, further limitations on contract terms and other provisions found in DC2015-06-0010. Among the pertinent provisions of this Resolution are the following:

(a) Setting of Threshold Reduction Date for end-user with at least 750 kW demand on June 26, 2016;
(b) Lowering of threshold to 500 kW and start of retail aggregation on June 26, 2018;

(c) Start of the mandatory contestability for end-users:
  (i) with at least 1 MW average monthly peak demand on December 26, 2016;
  (ii) with at least 750 kW average monthly peak demand on June 26, 2017;
(d) Issuance of provisional RES license for Prospective Generation Companies, with guidelines;
(e) Options for Distribution Utilities with Displaced Contract Capacities with Generators due to migration of Contestable Customers as follows:
  (i) Renegotiate contracts;
  (ii) Auction off contracted capacities;
  (iii) Declare in the WESM as capacities for sale;
(f) Eligibility of end-users to be part of the contestable market;
(g) Limitation of Retail Supply Contract term from one billing period to two years only;

Another resolution issued by the ERC is Resolution No. 11, Series of 2016 entitled "*A Resolution Imposing Restrictions on the Operations of Distribution Utilities and Retail Electricity Suppliers in the Competitive Retail Electricity Market*". From the title itself, this Resolution contains restrictions on RES entities, as follows:

(a) Prohibition of Local RES, in which Distribution Utilities can only supply to end-users in the Contestable Market as Supplier of Last Resort (SOLR) and Local RES to wind down business within 3 years;
(b) Market cap of each RES to supply no more than 30% of the total average monthly peak demand of all contestable customers in the Competitive Retail Electricity Market;
(c) Prohibition of RES to transact not more than 50% of the total energy transactions of its Supply business with its affiliate Contestable Customers; and
(d) Repeal of Resolution No. 22, Series of 2013.

DC 2015-06-0010, Resolutions No. 5, 10 and 11, Series of 2016 are all subject of a case for Declaratory Relief with the Pasig RTC filed by Meralco. On July 13, 2016, the Pasig RTC has issued a preliminary injunction enjoining DOE from implementing its Circular, and ERC from Implementing Resolutions, insofar as they prohibit Distribution Utilities from engaging in supply business, impose restrictions, contract term limits, mandatory contestability and market caps.

On September 21, 2016, the DOE filed a Petition for Certiorari and Prohibition to the SC praying, among others, for the nullification of all Orders and Decisions of the Pasig RTC. The SC issued a Resolution on October 10, 2016 granting a Temporary Restraining Order to the Pasig RTC from enforcing its decisions, orders, resolutions regarding the abovementioned case until the instant petition is finally resolved.

The ERC issued Resolution No. 28 Series, of 2016 dated November 15, 2016 to revise the time frame of mandatory contestability from December 26, 2016 to February 26, 2017.

On February 21, 2017, the SC issued a Temporary Restraining Order on the case filed by Philippine Chamber of Commerce and Industry, San Beda College Alabang Inc., Ateneo de Manila University, and Riverbanks Development Corporation. The TRO enjoined ERC and DOE from implementing Resolutions No. 5, 10, 11, and 28, Series of 2016 and DOE Circular 2015-06-0010.

2. Possibility of Mindanao Wholesale Electricity Spot Market (WESM)

The DOE issued a draft Circular entitled "*Declaring the Launch of the Wholesale Electricity Spot Market (WESM) in Mindanao and Providing for Transition Arrangements*". The DOE held a series of public consultations from February to March 2017 to solicit comments on the draft circular from the Mindanao power industry participants. The DOE is already in the process of finalizing the circular and interim dispatch protocol.

3. Reserve Market

The DOE issued Department Circular No. DC2013-12-0027, "*Declaring the Commercial Launch for the Trading of Ancillary Service in Luzon and Visayas under the Philippine Wholesale Electricity Spot Marke*t" dated December 2, 2013. The said Department Circular sets the responsibility of the PEMC, NGCP, NEA and all WESM members with regards to the operation of the Reserve Market.

The trial operations started on February 26, 2014, and PEMC is still reviewing its results before certifying for market readiness. The Pricing and Cost Recovery Mechanism of the Reserve Market is still under review by the ERC under ERC Case No. 2007-004RC. The last hearing was on March 13, 2014.

The Reserve Market will cover three reserve categories, namely: Frequency Regulation, Contingency Reserve and Dispatchable Reserve. The Reserve Market will also include the scheduling of the ancillary services under ASPA with NGCP. No date has been set for the launch of the Reserve Market.

Since ERC has yet to issue the approval for 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, however, participants will only be those contracted with NGCP and that no settlement amount will come from WESM.

AboitizPower, through SN Aboitiz Power - Benguet, SN Aboitiz Power - Magat, and TLI, is well-positioned to take advantage of this opportunity.

The categories of reserves may have to be revised due to new types of ancillary services under the 2016 version of the Philippine Grid Code.

4. Feed-in-tariff (FIT) scheme

The RE Law was signed into law by former President Gloria Macapagal-Arroyo on December 16, 2008 and became effective in January 2009. The RE Law offered fiscal and non-fiscal incentives to RE developers, including the feed-in-tariff scheme which gives preferential rates.

In Resolution No. 10, Series of 2012 (as amended by ERC Case No. 2014-004RM), the ERC adopted the following FIT and degression rates for electricity generated from biomass, run-of-river hydropower, solar and wind resources:

	FIT Rate (₱/kWh)	Degression Rate
Wind	8.53 and 7.40**	0.5% after year 2 from effectivity of FIT
Biomass	6.63	0.5% after year 2 from effectivity of FIT
Solar	9.68 and 8.69*	6% after year 1 from effectivity of FIT
Hydro	5.90	0.5% after year 2 from effectivity of FIT

** New solar FIT rate as per ERC Case No. 2014-004RM, as necessitated by the new installation target for Solar Energy Generation set by the Department of Energy (DOE).*

*** New wind FIT rate as per ERC Case No. 2015-002RM, as necessitated by the new installation target for Solar Energy Generation set by the Department of Energy (DOE).*

On July 23, 2012, the ERC promulgated ERC Resolution No. 10, Series of 2012, with approved solar FIT rate of ₱9.68/kWh and installation target of 50 MW. After the DOE increased the installation target of solar to 500 MW, a new FIT rate of ₱8.69/kWh was approved by the ERC to apply after the earlier of full subscription of the revised solar installation target of 500 MW or March 15, 2016. For the solar plants that have been commissioned prior to the effectivity of the ERC (up to 50MW) decision, the original Solar FIT of ₱9.68/kWh shall apply.

For wind, DOE endorsed the increase of wind installation target from 200 MW to 400 MW.

The ERC approved in February 2016 the new FIT-All rate for 2016 at ₱0.1240/kWh. The ERC used, in the interim, the existing unadjusted FIT rates so as not to pre-empt whatever decision the ERC may make on the adjustment of the FITs. The rate is effective in the succeeding billing period following the receipt by TRANSCO of the Order, which was on April 2016.

On March 2017, ERC issued Resolution No. 01, Series of 2017 "*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 will be on commercial operation from January to December 2017. The degressed rate for hydro is ₱5.8705/kWh and for biomass is ₱6.5969/kWh.

5. Competitive Selection Process in securing Power Supply Agreements

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. The following are principles that will guide the Distribution Utilities in undertaking CSPs:

(a) Increase the transparency needed in the procurement process in order to reduce risks;
(b) Promote and instill competition in the procurement and supply of electric power to all electricity end-users;
(c) Ascertain least-cost outcomes that are unlikely to be challenged in the future as the political and institutional scenarios should change; and
(d) Protect the interest of the general public.

This Circular shall apply to any entity that owns, operates, or controls one or more distribution systems in the main grid and off-grid areas, such as but not limited to:

(a) Electric Cooperatives (ECs);
(b) Private Investor-Owned Distribution Utilities (PIOUs);
(c) Local Government Unit Owned-and-Operated Distribution Systems/Utility (LGUOUs);
(d) Multi-Purpose Cooperatives duly authorized by appropriate government agencies to operate electric power system;
(e) Entities duly authorized to operate within economic zones; and
(f) Other duly authorized entities engaged in the distribution of electricity.

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*," on November 4, 2015. The pertinent provisions are as follows:

(a) Distribution Utilities may adopt any accepted form of CSP pending the issuance by ERC of prescribed CSP as per DOE Circular;
(b) Minimum terms were identified by ERC;
(c) A CSP is considered successful if the Distribution Utility received at least two qualified bids from entities which the Distribution Utility is not prohibited from entering into a contract for power supply; and
(d) For two unsuccessful CSPs, the Distribution Utility is allowed to enter into direct negotiations.

This development will increase transparency and competition. This is prospective, hence, will not affect AboitizPower's existing contracts.

6. Maintaining the Share of RE in the Installed Capacity

The DOE released Department Circular No. DC2015-07-0014, entitled "*Prescribing the Policy for Maintaining the Share of Renewable Energy (RE) Resources in the Country's Installed Capacity Through the Wholistic Implementation of the Pertinent Provisions of Republic Act No. 9513 or the RE Act on Feed-In Tariff (FIT) System, Priority and Must Dispatch, Among Others*" in August 2015. The pertinent provisions are as follows:

(a) In order to maintain the share of RE in power generation, the DOE had set a policy of adopting at least 30% share of RE in the country's total power generation capacity through the wholistic implementation of the FIT system and other pertinent provisions under the RE Law and its RE Implementing Rules and Regulations;
(b) The succeeding rounds for the installation targets for FIT-eligible resources shall be made through an auction system to be adopted by the DOE upon the full subscription of the existing FIT installation targets; and
(c) Compliance with the provisions stated in the Circular shall be deemed compliance with the RPS.

AboitizPower's current net sellable capacity mix is roughly 68% thermal and 32% renewable. Even with all the new capacity additions, AboitizPower will remain within the said capacity mix. Additionally, the abovementioned auction system has not yet been adopted.

IV. Capital Expenditure 2017

AboitizPower is allotting ₱59 bn in capital expenditure this year, of which 74% is for new thermal projects, 8% for new renewable projects and 18% for exploratory and operating activities.

Banking & Financial Services

UnionBank of the Philippines, Inc. (UnionBank)

UnionBank's initiatives on strengthening its customer franchise will continue to be at the forefront as it prioritizes delivering unique customer experience through enhanced retail focus, superior innovation and product customization, and stronger sales management approach. UnionBank will continue to invest in technology, cultivate partnerships and rationalize branch network expansion in strategic areas to maximize growth channels with respect to both deposits and loan accounts.

UnionBank will continue to focus on improving the performance of its earning assets portfolio, with loan asset acquisition in the retail, middle-market and corporate sectors. The bank will implement a disciplined asset allocation built on good governance and effective risk management to ensure momentum of recurring income stream. At the same time, UnionBank is focusing on improving its deposit liabilities mix by targeting low-cost funds (*i.e.*, CASA).

UnionBank will continue to enhance operating efficiencies through cost containment efforts and improvements in its business processes and systems to align with international standards and best practices, and increase in manpower productivity with the help of functional and developmental trainings as well as appropriate matching of job, skills and capabilities. More importantly and consistent with the digital banking thrust, UnionBank aims to establish a digital back-office which allows straight through processing real time and 24/7 delivery of financial products and services.

UnionBank will also promote customer advocacy by cultivating employee engagement throughout the organization. The bank believes that by doing this, UnionBank can optimize employee behavior to drive long-term financial and operational performance and growth. In line with this, the Bank initiated "middle-out" strategic programs, which strive to propel UnionBankers to higher levels of engagement, particularly through the conduct of culture conversations, fostering REaCh Programs and celebrating DNA Stories.

CitySavings, the Subsidiary thrift bank of UnionBank, will continue with its unique focus as the preferred teachers' bank in the Philippines, particularly through expanding its customer franchise in areas outside of its present coverage. It will continuously enhance its products and services to strengthen its market position in its present niche, and tap other civil servant market segments.

The combined unique strengths of UnionBank and CitySavings' management teams as well as its attained technological and financial capabilities will catapult both banks to greater heights towards elevating the lives of its stakeholders and the communities it serves.

UnionBank tripled its capex to ₱3 bn in 2017 to upgrade its digital banking infrastructure.

PETNET, Inc. (PETNET)

PETNET will continue to face an environment that is more competitive in business trends and more stringent in regulation. Thus, they have and will continue to put in place IT, risk management, and compliance systems and processes, to respond to these challenges. PETNET shall continue to improve its business operations to adapt and better respond to the ever-growing needs of the market.

As part of its PERA HUB's digital initiatives to be more accessible and convenient for customers, it will introduce the PERA HUB Mobile Application, the first of its kind in the financial services industry. Customers will be able to locate the nearest PERA HUB branch, view the list of loan requirements, and monitor PERA HUB Card points. Users of the application can also check the latest PERA HUB promos and rewards, and explore its other products and services. PETNET aims to eventually roll out a functionality that will allow customers to conduct transactions through this application.

In strengthening its retail brand, PERA HUB will remain as one of the priorities as they explore new and better ways to heighten customer delight. PETNET shall continue to support CSR activities of the Aboitiz Group in tandem with its own continuing efforts to develop more purposive CSR activities. It is also PETNET's goal to be fully aligned with the Group's level of corporate governance as the company remains true to its core values as an organization. PETNET remains steadfast in its commitment to provide as much value as it can to all its stakeholders.

PETNET has earmarked ₱22 mn for its capex in 2017.

Food

Pilmico remains aggressive in pursuing the pipeline of projects to grow and diversify its core businesses in the countries it operates in.

In 2017, Pilmico aims to achieve business success while promoting the needs of its customers and the communities it serves. Pilmico continues to expand its reach nationwide and build on the considerable work it has done for backyard farmers. Pilmico will continue to grow domestically and internationally, increasing its stakeholders' value.

For its flour business, Pilmico will continue to expand its market reach in the ASEAN with the export of its flour products while also exploring production capabilities in the region. Likewise, Pilmico will broaden its flour products portfolio offering for both local and international distribution.

The farms business will ramp up its sow level to 20,000, integrate the business further through the value chain with its new meat processing plant. It will likewise operationalize its newly completed layers farm with monthly output of four mn eggs.

To further grow and strengthen its feeds business in the Philippines, Pilmico will be expanding its feedmill capacity in Iligan and Tarlac.

The feeds business will increase foothold in the feeds industry by growing animal-feeds related businesses in the Philippines and export its feed products in Vietnam, Indonesia, and the Pacific.

Internationally, Pilmico VHF will operationalize new aqua feed mill in Vietnam and look into exporting its aqua feeds in ASEAN and in Africa. Moreover, the company will also actively pursue other opportunities in the region through mergers and acquisition.

Pilmico has allocated ₱1.7 bn capex for the year in support of various initiatives for its flour, feeds, and farms divisions, as well as pursuing opportunities in the region.

Land

AboitizLand is looking forward to the launch of two residential projects in the upcoming quarter, one in Luzon, marking a first for AboitizLand. Excitement surrounding The Outlets at Lipa continues to heighten with increased inquiries, lease commitments, and construction progress. With additional residential and commercial launches planned for the coming years and having solidified its relationship with ACI, AboitizLand looks to make 2017 its watershed year.

AboitizLand's industrial unit shows promise for the years ahead. Historically, AboitizLand's industrial business unit has consistently exceeded sales targets while expanding its land portfolio. As such, the industrial unit will continue to grow its business, expand its portfolio of locators, and be a key contributor to AboitizLand's success.

Continuing to secure land in strategic areas and craft unique project designs, AboitizLand is not only keen on executing its plan for the upcoming year, but also in delivering projects and building communities for the years to come.

To support growth initiatives, AboitizLand has allocated ₱5 bn capex for 2017.

Infrastructure

Early this 2017, AEV formally established its fifth strategic arm through the formation of Aboitiz InfraCapital. Aboitiz InfraCapital is mandated to develop opportunities in the infrastructure space and to manage AEV's infrastructure investments.

Aboitiz InfraCapital is well-positioned to contribute to the nation's growth trajectory by developing and building infrastructure solutions and producing quality building materials that will help advance businesses and communities.

AEV foresees considerable public and private investments going into infrastructure over the next ten to fifteen years, as it intends to play an active role in the many opportunities in this space. Infrastructure meets AEV's growth criteria by being scalable, diversifying income streams, tapping on existing core competencies and providing it with strong recurring profits and cash flow.

For infrastructure, AEV is allocating ₱8.1 bn in capex.

Republic Cement and Building Materials, Inc. (RCBM)

AEV's investment in RCBM performed well in 2016, as the construction market remained strong in Philippines. Growth in cement demand in 2016 is largely due to increased construction activities in the private sector and government infrastructure. AEV expects the same or better growth trajectory in 2017 onwards due to the infrastructure opportunities in the country.

As compared to proforma 2015 full year accounts, operating profit of RCBM in 2016 was ahead due to higher selling prices and lower variable costs. This yielded, a contribution to AEV's net income to ₱1.6 bn in 2016.

RCBM continues to meet growing cement demand throughout the country with operational excellence programs within the plants and supply chain optimization initiatives within its core markets. The company remains committed to provide the widest range of high-quality Republic Cement products to address the specific needs of its end users.

Apo Agua Infrastructura, Inc. (Apo Agua)

AEV and JVACC established Apo Agua, the project company which 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 mn liters per day) of treated bulk water to Davao City over a 30-year period.

JVACC will bring its 50 years of experience in construction and development of water-related infrastructure to the partnership. Hedcor, an Affiliate of AEV specializing in the design, construction and operations of mini-hydropower plants, will provide the technical and operational expertise for its hydro-electric component.

On March 17, 2015, Apo Agua signed the Contractual Joint Venture Agreement and Bulk Water Purchase Agreement (BWPA) with DCWD for the financing, design, construction and operations of the Tamugan Surface Water Development Project.

Apo Agua secured the project endorsement and approval from the Council Members of the Davao City Government last March 1, 2016. Target construction start date is expected by third quarter of 2017, once all the necessary permits and funding are secured.

PPP Projects of Interest

1. Bidding for the Operation and Maintenance of the Existing LRT Line 2 (LRT2) System and the Masinag Extension System

AEV was pre-qualified on February 16, 2015 by the Department of Transportation (DOTr) for the bidding of the operation and maintenance of the existing LRT Line 2 (LRT2) system, together with other future extensions implemented by the government during the project's term.

AEV is participating in the bidding through a consortium referred to as the Aboitiz-SMRT Transport Solutions Consortium, in partnership with SMRT International Pte. Ltd.

SMRT International Pte. Ltd. is a wholly owned Subsidiary of SMRT Corporation Ltd. (SMRT), a multi-modal transport service provider in Singapore offering rail, bus and taxi services. SMRT is the largest rail operator in Singapore, operating three of the five metro lines and a light rail system.

The bid submission has been postponed by the DOTr until further notice.

2. Pre-Qualification and Bidding Process for the Operations, Maintenance and Expansion of the Bacolod-Silay, Iloilo, Davao, Laguindingan and New Bohol Airports PPP

The DOTr has recently re-launched the pre-qualification and bidding process for the five regional airports as individual, unbundled projects. AEV, through its infrastructure arm, Aboitiz InfraCapital, remains interested in these opportunities and is exploring options considering the new project structure.

Year ended December 31, 2015 vs. Year ended December 2014

<u>KEY PERFORMANCE INDICATORS (KPI)</u>
(Amounts in thousands except financial ratio data)

The table below shows the comparative figures of the top five key performance indicators for 2015 and 2014.

Key Performance Indicators	JAN-DEC 2015	JAN-DEC 2014
EQUITY IN NET EARNINGS OF INVESTEES	**6,589,452**	7,244,241
EBITDA	**40,171,067**	38,355,609
CASH FLOW GENERATED:		
Net cash flows from operating activities	**27,258,985**	27,104,460
Net cash flows used in investing activities	**(36,592,531)**	(14,423,247)
Net cash flows from (used in) financing activities	**22,392,911**	1,663,025
Net Increase in Cash & Cash Equivalents	**13,059,365**	14,344,239
Cash & Cash Equivalents, Beginning	**50,481,566**	36,118,190
Cash & Cash Equivalents, End	**63,581,884**	50,481,566
	DEC. 31, 2015	**DEC. 31, 2014**
CURRENT RATIO	**2.84**	2.76
DEBT-TO-EQUITY RATIO	**1.31**	1.08

DISCUSSION ON KEY PERFORMANCE INDICATORS:

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

Management teams of the different businesses continued to effectively handle their respective operations and financial requirements. As a result, profitability had been sustained and financial position remained strong and liquid.

Associates continued to generate substantial earnings and enhance the consolidated bottomline, despite the 9% decline in their income contribution to the Group. Consolidated EBITDA, which increased by 5%, translated into additional cash inflows coming from subsidiaries' operations and from dividend payments of associates. The internally-generated funds were then used to finance capital expenditures, settle maturing financial obligations and pay cash dividends.

With higher borrowings at the end of December 2015, debt-to-equity ratio edged up to 1.31x (versus end-2014's 1.08x). Meanwhile, current ratio improved to 2.84x (versus end-2014's 2.76x) as increase in current assets outpaced the increase in current liabilities.

Review of Jan-Dec 2015 Operations versus Jan-Dec 2014 Results of Operations

For the year ended December 2015, AEV and its subsidiaries posted a consolidated net income of ₱17.68 billion, a 4% YoY decrease. This translates to an earnings per share of ₱3.18 for the year in review. In terms of income contribution, Power

Group still accounted for the bulk at 73%, followed by the Financial Services, Food, Real Estate and Infrastructure Groups at 14%, 9%, 3% and 1%, respectively.

The Group generated a non-recurring net loss of ₱602 million (versus ₱436 million gain in 2014) mainly from the foreign exchange loss on the revaluation of dollar-denominated loans and placements of the Power business units. Stripping out these one-off items, the Group's core net income for the year amounted to ₱18.28 billion, up 2% YoY.

Business Segments

The individual performance of the major business segments is discussed as follows:

Power

Aboitiz Power Corporation (AP) ended the period with an income contribution of ₱13.53 billion, a 6% increase from last year's ₱12.75 billion. Power generation group's bottomline contribution to AEV increased by 3% to ₱10.70 billion from ₱10.36 billion last year. This was substantially attributed to the following: a.) higher sales volume from the coal and large hydro groups, b.) lower financing cost of the large hydro group, and c.) lower operating expenses of the geothermal and oil groups. This was partly offset by the decrease in geothermal group's revenue due to steam decline and the increase in income tax provisions owing to the income tax holiday (ITH) expiration of Magat, Binga and Therma Marine plants.

AP's attributable net generation for the year in review grew by 11% YoY, from 11,272 gigawatthours (GWh) to 12,550 GWh, due to the 18% YoY growth in power sales through bilateral contracts. In line with the group's efforts to reduce its exposure to spot market sales, bilateral sales constitute 91% of total power sold during the year, and as a consequence, spot sales decreased by 28% YoY to 1,168 GWh.

On a capacity basis, attributable sales increased by 6% to 1,900 MW. The new capacities from Therma South and Hedcor Sabangan, along with the higher ancillary revenues of the large hydros and higher dispatch of the oil group, more than offset the decrease in APRI's available capacity due to steam decline. The completion of the 14MW Sabangan run-of-river hydroelectric and 260MW (net) Davao Coal plants resulted in an increase in the Power group's net attributable sellable capacity to 2,532 MW.

Likewise, AP's distribution group's earnings contribution to AEV rose 19% from ₱2.46 billion to ₱2.93 billion. Driven by the growth in energy sales across all customer segments, as well as the full-year contribution of Lima Enerzone, attributable electricity sales rose by 6% to 4,759 GWh, from 4,480 GWh last year.

Banking

Income contribution from this industry group fell 22%, from ₱3.24 billion to ₱2.54 billion for the year in review.

UBP's income contribution fell 22% from ₱3.24 billion to ₱2.53 billion mainly due to the absence of trading gains posted during the year. This decline was partially countered by the 13% growth to ₱12 billion in net interest income in view of higher interest income coupled with lower cost of deposits. Service fee revenue likewise grew by 13% to ₱3.7 billion brought about by the strong expansion in retail loans.

PETNET, Inc. (PETNET), acquired by AEV in June 2015, contributed ₱8.16 million to the Group's consolidated net income from the date of acquisition.

Food

Income contribution from Pilmico Foods Corporation (PILMICO) and its subsidiaries amounted to ₱1.71 billion, up 31% YoY, mainly attributed to the strong performance of Feeds Philippines and the full-year contribution of Feeds Vietnam. Flour earnings contribution remained flat at ₱556 million. The improvement in Net Income After Tax (NIAT) of the Feeds and Flour business more than made up for the decline in Farms' bottomline, resulting from lower prevailing market selling price of live hogs.

Real Estate

Full-year income contribution of AboitizLand amounted to ₱536 million, 15% down from last year's ₱633 million. This was mainly due to the decline in revenue from residential unit sales and higher manpower cost as a result of ongoing organizational expansion. Despite the 8% increase in residential unit sales, the corresponding revenue recorded under the percentage-of-completion method was lower since the pace of construction in 2015 was slower than that of previous year.

Infrastructure

Newly-acquired companies, AEV CRH Holdings, Inc. and CRH Aboitiz Holdings, Inc., started contributing in mid-September of the current year and posted a combined income contribution of ₱194 million.

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

For the year ended December 31, 2015, consolidated net income allocable to the equity holders of AEV registered a 4% decline, reaching ₱17.68 billion from ₱18.38 billion posted in the previous year.

Operating profit for the current year amounted to ₱27.42 billion, a 12% increase YoY, as a result of the ₱1.39 billion increase in revenues coupled with the ₱1.48 billion decline in costs and expenses. This increase was mainly attributed to the performance of the Power and Food Groups.

Power subsidiaries reported a 10% YoY increase in operating profit from ₱22.35 billion to ₱24.69 billion mainly due to the growth in a.) EBIT of the therma power subsidiaries attributed to lower fuel and purchased power costs of Therma Luzon, better selling prices of Therma Marine, and the fresh EBIT contributions from Therma South, Inc. (TSI) and the rehabilitated barges of Therma Mobile, and b.) gross margins of the distribution utilities attributed to higher electricity demand from customers. Food group also reported an increase in operating income by 51% (₱2.67 billion vs ₱1.77 billion) largely from better performance of the Farms division.

Share in net earnings of associates dropped by 9% YoY (₱6.59 billion vs ₱7.24 billion in 2014) mainly due to the decline in net income of UBP. This was largely attributed to absence of trading gains.

The drop in equity earnings and other income, coupled with increases in net interest expense and income tax provision, more than offset the increase in operating profit, and as a result, pulled down the Group's overall profitability. Net interest expense increased by ₱644 million resulting from higher level of debt.

Other Income declined by 88% YoY (₱224 million vs ₱1.91 billion in 2014) mainly due to the ₱634 million gains generated from the sale of Aboitiz Jebsen Transport Corporation (ABOJEB) and Cebu International Container Terminal, Inc. (CICTI) in 1Q2014, versus nil in the current year. The higher net foreign exchange loss (₱1.28 billion vs ₱199 million in 2014) recorded in the restatement of Power Group's dollar-denominated debt and placements, further contributed to the drop in Other Income.

Net income attributable to non-controlling interests increased to ₱5.48 billion, from ₱5.18 billion in 2014, substantially due to the increase in AP's net income, 23% of which belongs to minority shareholders.

AEV's consolidated comprehensive income attributable to equity holders correspondingly decreased by 24%, from ₱20.35 billion in 2014 to ₱15.54 billion in 2015. The 4% decrease in consolidated net income combined with 217% decrease in AEV's share of an associate's fair valuation differential on its available-for-sale (AFS) investments, accounted for this decline.

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

Assets

Compared to year-end 2014 level, consolidated assets increased 21% to ₱340 billion as of December 31, 2015, due to the following:

a. Cash & Cash Equivalents increased by 26% (₱63.58 billion vs ₱50.48 billion as of December 31, 2014) as the funds generated from operations and debt raising exceeded the funds used in acquiring additional investments, financing capital expenditures, repayment of maturing obligations and payment of cash dividends.

b. Investments in and Advances to Associates increased by ₱21.17 billion (₱73.43 billion vs ₱52.27 billion as of December 31, 2014) mainly due to the ₱23.74 billion acquisition of Lafarge S.A.'s cement business, ₱452 million acquisition of San Carlos Sun Power, Inc and Maaraw Holdings San Carlos, Inc. by AP, ₱321 million purchase of UBP shares by AEV and recording of ₱6.59 billion share in earnings of associates. This increase was partially reduced by the ₱2.65 billion redemption of MORE preferred shares, ₱4.95 billion cash dividends received from associates, and ₱2.25 billion share of a banking associate's fair valuation loss on its AFS investments during the current period.

c. Available-for-Sale (AFS) Investments increased by 472% (₱368 million vs ₱64 million as of December 31, 2014) mainly due to the first-time consolidation of PETNET's AFS investments.

d. Gross of depreciation expense, the resulting ₱24.14 billion combined growth in Property Plant and Equipment (PPE), Investment Properties (IP), and Land and Improvements (LI) was mainly due to the following: 1.) ₱18.3 billion on- going construction of AP's power plants, Aseagas' biomass plant and Food Group's swine farms and plant facilities; 2.) ₱3.6 billion acquisition of AP generation and distribution assets; 3.) ₱780 million purchase of a piece of property and renovation costs by CPDC; and 4.) ₱1.4 billion additional lot purchases and various capital expenditures by Real Property Group.

e. Trade and Other Receivables, inclusive of noncurrent portion, increased by 13% (₱19.05 billion vs ₱16.93 billion as of December 31, 2014) mainly due to the growth in: 1.) Real Estate Group's installment sales and AEV's revenues which correspondingly brought up trade receivables, and 2.) advances to contractors attributed to the on-going plant construction.

f. Derivative Assets (current and non-current) increased by 401% (₱563 million vs ₱113 million as of December 31, 2014) mainly due to mark-to-market gains recognized during the current period on new forward contracts entered into by Power Group to hedge its foreign exchange risk on forecasted dollar-denominated payments related to the construction of a power plant.

g. Other Current Assets increased by 61% (₱6.49 billion vs ₱4.04 billion in December 31, 2014) substantially due to Power Group's increase in prepaid insurance and reclassification of VAT inputs from Non-current to Current Assets considering the expected application of these VAT inputs against generated VAT outputs at the start of a power generation subsidiary's commercial operation in the following year.

h. Deferred Income Tax Assets increased by 100% (₱700 million vs ₱P350 million as of December 31, 2014) mainly due to the corresponding deferred tax benefits recognized on the unrealized foreign exchange losses, actuarial losses on defined benefit plans and impairment provisions net operating loss carry-over (NOLCO) generated by the Group during the current year.

i. Goodwill increased by 34% (₱2.07 billion vs ₱1.55 billion as of December 31, 2014) due to the ₱524 million positive goodwill generated from the acquisition of PETNET shares.

The above increases were tempered by the following decreases:

a. Intangible Asset-Service Concession Rights decreased by 5% (₱3.23 billion vs ₱3.40 billion in December 2014) mainly due to the amortization charged to consolidated net income during the period.

b. Other Noncurrent Assets decreased by 8% (₱10.43 billion vs ₱11.38 billion as of December 31, 2014) primarily due to the reclassification of a portion of the VAT inputs lodged in Non-current Assets to Current Assets in anticipation of their application against VAT outputs during the succeeding year.

Liabilities

Consolidated short-term bank loans increased by 21% (₱8.88 billion vs ₱7.34 billion as of December 31, 2014) due to availment by the Food and Real Estate Groups to fund working capital requirements. Likewise, long-term debt increased by 37% (₱152.46 billion vs ₱111.44 billion as of December 31, 2014) substantially due to the ₱24 billion retail bond issuance of AEV Parent to fund investment acquisitions, and the ₱19.86 billion combined additional loan availment by TVI, Hedcor Bukidnon, TSI, PEC, Food Group and Aseagas to finance ongoing plant construction, reduced by the ₱2.2 billion payment of maturing finance lease and loan amortizations.

Trade and other payables, inclusive of noncurrent portion, were higher by 18%, from ₱15.98 billion to ₱18.87 billion mainly due to the increase in payables to suppliers and contractors of certain power subsidiaries and a joint operation investee as a result of ongoing plant construction.

Income tax payable increased by 38%, from ₱695 million to ₱957 million due to recording of additional income tax liability of the Power Group during the current period.

Customers deposits increased by 11%, from ₱5.94 billion to ₱6.58 billion mainly due to the growth in the customer base of power distribution subsidiaries.

Asset retirement obligation (ARO) increased by 28% from ₱2.35 billion to ₱3.02 billion due to additional provision and accretion of interest recorded during the current period.

Pension liability, net of pension asset, increased by 56%, from ₱416 million to ₱649 million, mainly on account of additional retirement cost and actuarial losses recorded by the Group, partially offset by the contributions made, during the current year.

Deferred income tax liabilities (DTL) decreased by 9%, from ₱1.76 billion to ₱1.61 billion, mainly due to the reversal of some deferred tax provision resulting from the unrealized foreign exchange losses incurred, and lower unrealized fair valuation gain recorded on investment property during the current period.

Equity

Equity attributable to equity holders of the parent increased by 10% from year-end 2014 level of ₱107.94 billion to ₱118.22 billion, mainly due to the following: a.) ₱11.53 billion increase in Retained Earnings resulting from the ₱17.68 billion net income recorded during the year, reduced by the ₱6.15 billion cash dividends paid, and b.) ₱885 million sale of treasury shares. This was partially countered by the ₱2.25 billion increase in the Group's share of UBP's unrealized mark-to-market losses on its AFS investments.

MATERIAL CHANGES IN LIQUIDITY AND CASH RESERVES OF REGISTRANT

For the year ended December 2015, the Group continued to support its liquidity mainly from cash generated from operations, additional loans availed and dividends received from associates.

Compared to the cash inflow in 2014, consolidated cash generated from operating activities in 2015 increased by ₱155 million to ₱27.26 billion mainly due to the growth in earnings before interest, depreciation and amortization (EBIDA) recorded by subsidiaries during the current year despite higher income taxes paid and increase in operating assets.

The current period ended up with ₱36.59 billion net cash used in investing activities versus ₱14.42 billion last year. This was mainly due to the acquisition of the cement business, higher cash spent on PPE and LI acquisitions and lower cash dividends received from associates. This increase in cash usage was partly offset by the higher cash generated from the ₱2.65 billion redemption of MORE redeemable preferred shares, vis-a-vis the ₱638 million proceeds from the sale of ABOJEB and CICTI last year.

Net cash from financing activities was ₱22.39 billion versus ₱1.66 billion in 2014. This was largely attributed to AEV Parent's ₱24 billion retail bond issuance, the Group's other long- and short-term loan availments, lower cash dividends paid by AEV ₱6.15 billion vs ₱9.94 billion in 2014), and the ₱885 million sale of treasury shares.

For the year in review, net cash inflows surpassed cash ouflows, resulting in a 26% increase in cash and cash equivalents, from ₱50.48 billion as of year-end 2014 to ₱63.58 billion as of December 31, 2015.

FINANCIAL RATIOS

Backed by strong operating cash inflows, liquidity was adequately preserved. Current ratio stood at 2.84x from 2.76x at the start of the year, since current assets grew stronger than current liabilities. Debt-to-equity ratio climbed to 1.31:1 (versus year-end 2014's 1.08:1). This was mainly due to the growth in total liabilities which outpaced the increase in equity.

Year ended December 31, 2014 vs. Year ended December 2013

KEY PERFORMANCE INDICATORS (KPI)
(Amounts in thousands except financial ratio data)

The table below shows the comparative figures of the top five key performance indicators for 2014 and 2013.

	JAN-DEC 2014	JAN-DEC 2013
EQUITY IN NET EARNINGS OF INVESTEES	**7,244,241**	10,596,577
EBITDA	**38,355,609**	36,492,444
CASH FLOW GENERATED:		
Net cash flows from operating activities	**27,104,460**	25,343,680
Net cash flows used in investing activities	**(14,423,246)**	(12,645,557)
Net cash flows from (used in) financing activities	**1,663,025**	(10,352,608)
Net Increase in Cash & Cash Equivalents	**14,344,239**	2,345,515
Cash & Cash Equivalents, Beginning	**36,118,190**	33,730,531
Cash & Cash Equivalents, End	**50,481,566**	36,118,190
	DEC 31, 2014	**DEC. 31, 2013**
CURRENT RATIO	**2.76**	2.64
DEBT-TO-EQUITY RATIO	**1.08**	1.02

DISCUSSION ON KEY PERFORMANCE INDICATORS:

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

Management teams of the different businesses continued to effectively handle their respective operations and financial requirements. As a result, profitability had been sustained and financial position remained strong and liquid.

Associates continued to generate substantial earnings and enhance the consolidated bottomline, despite the 32% decline in their income contribution to the Group. Consolidated EBITDA, which increased by 5%, translated into additional cash inflows coming from subsidiaries’ operations and from dividend payments of associates. The internally-generated funds were then used to finance capital expenditures, settle maturing financial obligations and pay cash dividends.

With higher borrowings at the end of December 2014, debt-to-equity ratio edged up to 1.08x (versus end-2013’s 1.02x). Meanwhile, current ratio improved to 2.76x (versus end-2013’s 2.64x) as increase in current assets outpaced the increase in current liabilities.

Review of Jan-Dec 2014 Operations versus Jan-Dec 2013

Results of Operations

For the year ended December 2014, AEV and its subsidiaries posted a consolidated net income of ₱18.38 billion (bn), a 13% YoY decrease. This translates to an earnings per share of ₱3.32 for the year in review. In terms of income contribution, power group still accounted for the bulk at 71%, followed by the banking, food and real estate groups at 18%, 7% and 4%, respectively.

The Group generated a non-recurring net gain of ₱436 million (mn) (versus P22 mn in 2013) mainly from the ₱634 mn gain generated from the sale of AEV's investments in Abojeb Group and in Cebu International Container Terminal, Inc. (CICTI), a non-operating associate. This was partly offset by ₱113 mn foreign exchange loss on the revaluation of dollar-denominated loans and placements, and P89 million transaction costs on sale of Lima Utilities Corporation, now Lima Enerzone Corporation (Lima Enerzone or LEZ) to AP. Stripping out these one-off items, the Group's core net income for the current period amounted to ₱17.94 bn, down 15% YoY.

Business Segments

The individual performance of the major business segments is discussed as follows:

Power

Aboitiz Power Corporation (AP or AboitizPower) ended the year with an income contribution of ₱12.75 bn, a 10% decrease from last year's ₱14.20 bn.

AP's generation group reported an 11% YoY drop in earnings contribution to AEV, from ₱11.7 bn to ₱10.4 bn, substantially attributed to the full year impact of the implementation of the Geothermal Resource Supply Contract (GRSC) for the Tiwi-MakBan plants, lower equity earnings from SN Aboitiz Power-Magat, Inc. (SNAP-Magat or SN Aboitiz Power-Magat) owing to the limited operations of its hydro plant due to low water levels, and higher income tax provisions resulting from the expiry of Pagbilao and Magat plants' income tax holiday during the year. The large hydros were also adversely affected by lower average prices for both its spot and ancillary rates.

Generation group's attributable net generation for the year in review grew by 3% YoY, from 10,949 gigawatt hours (GWh) to 11,272 GWh, due to the 7% YoY growth in power sales through bilateral contracts. Attributable sales on a capacity basis increased by 13% YoY to 1,800 MW. The growth was partly driven by Therma Mobile, Inc., which was able to offer its full capacity of 200 MW in the second quarter of 2014. Increase in water levels in the second half of 2014 as a result of typhoons led to a strong recovery in ancillary sales during this period. On the other hand, spot market sales decreased by 16% from 1,914 GWh to 1,612 GWh as low water levels constrained the operations of Magat, Ambuklao and Binga plants.

Meanwhile, AP's distribution group's earnings contribution to AEV remained flat at ₱2.5 bn. Driven by the 15% growth in industrial sales and the incremental increase contributed by the newly-acquired Lima Enerzone, attributable electricity sales rose by 10% to 4,480 GWh from 4,076 GWh a year ago. This improvement though was tempered by higher costs incurred by Davao Light and Power Company, Inc. and Cotabato Light & Power Company due to the running of their embedded plants to cover for the shortfall in the Mindanao grid during the year.

Banking

Income contribution from this industry group fell 21%, from ₱4.11 bn to ₱3.24 bn for the year in review.

Union Bank of the Philippines (UnionBank or UBP)'s full-year net income for 2014 was lower at ₱ 6.84 bn (vs ₱9.03 bn in 2013) mainly due to the 35% drop in total other income to ₱8.16 bn largely in view of exceptionally hefty trading gains posted during the previous year. This decline was partially countered by the 20% growth to ₱10.64 bn in net interest income, anchored on the robust expansion in earning assets coupled with the continuous reduction in average costs of interest-bearing liabilities, and the 34% jump to ₱3.27 bn in service charges, fees and commission as a result of the strong expansion in retail loans.

Food

Income contribution from Pilmico Foods Corporation (PFC or Pilmico) and its subsidiaries amounted to ₱ 1.31 bn, up 4% YoY, mainly attributed to the strong performance of Farms division with its net income doubling to ₱377 mn from ₱188 mn last year. On the other hand, the Flour division posted weak performance due to higher wheat cost and other manufacturing expenses. Moreover, the impact of the expiration of the income tax holiday (ITH) of the Iligan Feedmill also dragged the Feeds division's earnings.

Real Estate

Full-year income contribution of Aboitiz Land, Inc. amounted to ₱633 mn, 132% higher than ₱273 mn last year. Revenues reached the ₱3.0 bn mark, 86% higher than last year. Industrial revenues were up by 161% YoY mainly due to the fresh revenue contribution of Lima Land, Inc. (Lima Land), which was fully acquired in February 2014. Residential segment revenues likewise grew by 31% as construction of its projects were now in full swing. Commercial revenues also registered a 123% growth primarily due to The Outlets in Mactan, Cebu which achieved 100% occupancy within its first year of operations.

Material Changes in Line Items of Registrant's Statements of Income and of Comprehensive Income

For the year ended December 30, 2014, consolidated net income allocable to the equity holders of AEV registered a 13% decline, reaching ₱18.38 bn from ₱21.03 bn posted in the previous year.

Operating profit for the current year amounted to ₱24.55 bn, a 16% increase YoY, as the ₱18.99 bn increase in revenues surpassed the ₱15.67 bn rise in costs and expenses. This increase was mainly attributed to the performance of power and real estate groups and the full contribution of Visayan Electric and Company, Inc. (VECO) which was consolidated towards the end of the second quarter of 2013.

Power subsidiaries reported a 15% YoY increase in operating profit from ₱19.48 bn to ₱22.35 bn mainly due to the following: a.) full consolidation in 2014 of VECO's positive margins which substantially accounted for the ₱1.09 bn increase; b.) ₱4.34 bn profit growth of the Therma Power, Inc.'s subsidiaries attributed to lower fuel and purchased power costs of Therma Luzon, Inc. (TLI), better selling prices of Therma Marine, Inc., and the fresh contribution from the rehabilitated barges of Therma Mobile, Inc.; c.) ₱207 mn fresh contribution of profits from RES group and LEZ. Said increase was offset by the ₱2.80 bn plunge in margins of renewable power group mainly attributed to AP Renewables, Inc. (APRI)'s higher fuel cost resulting from the full effect of the implementation of the GRSC for its Tiwi-MakBan plants. Real estate group also reported an increase in operating income by 174% (₱1.03 bn vs ₱377 mn) largely from the fresh gross profit contribution of its newly-acquired subsidiary, Lima Land. Food group however, showed a slight 1% dip in operating profit (₱1.77 bn vs ₱1.79 bn) resulting from weaker Flour margins offset by better performance of the Farms division.

Share in net earnings of associates dropped by 32% YoY (₱7.24 bn vs ₱10.60 bn in 2013) due to the decline in income contributions of UBP and power associates, and the consolidation of VECO whose income contribution was reported as equity earnings for the first half of 2013. The decrease in UBP's earnings was attributed to lower trading gains. For the power associates, the dip in net income resulted from the decrease in ancillary service revenue of SNAP-Magat at the back of low water levels, and STEAG State Power, Inc.'s unscheduled plant shutdown starting end of February until May, 2014.

The drop in equity earnings, coupled with the increase in income tax provision more than offset the increase in operating profit and other income, and as a result, pulled down the Group's over all profitability. Net interest expense increased by 16% to ₱6.11 bn due to higher average net debt level during the year in review.

Other income rose by 252% YoY (₱1.91 bn vs ₱541 mn in 2013) mainly due to lower foreign exchange (FX) loss (₱199 mn vs ₱1.99 bn in 2013), resulting from the restatement of the dollar-denominated debt and placements of the power group. Said increase was countered by the lower gains amounting to ₱634 mn generated from the sale of Abojeb and CICTI versus the ₱1.3 bn gain reported in the same period last year from the sale of City Savings Bank, Inc. (CSB) shares, and the transaction cost of ₱89 mn incurred in the acquisition of LEZ by AP during the current period.

The 354% increase in provision for income tax (₱4.03 bn vs ₱887 mn in 2013) was mainly due to the expiry of TLI's ITH at the end of 2013.

Net income attributable to non-controlling interests remained at ₱5.18 bn.

AEV's consolidated comprehensive income attributable to equity holders increased by 20%, from ₱16.98 bn in 2013 to ₱20.35 bn in 2014. This was mainly due to the recognition of ₱1.91 bn AEV's share of the unrealized fair valuation gains on the AFS investments of its banking associate, versus the ₱4.25 bn loss recorded in 2013. Said improvement in other comprehensive income was partly offset by the ₱2.65 bn decline in consolidated net income.

Changes in Registrant's Resources, Liabilities and Shareholders' Equity

Assets

Compared to year-end 2013 level, consolidated assets increased 14% to ₱281 bn as of December 30, 2014, due to the following:

a. Cash & Cash Equivalents increased by 40% (₱50.48 bn vs₱36.12 bn as of December 31, 2013) mainly due to the excess cash by AP and AEV parent companies generated from AP's retail bond issuance in September 2014 and AEV's sale of treasury shares in the third quarter of 2014, and majority of the subsidiaries' excess internally-generated funds.

b. Derivative Assets (current and non-current) increased by 264% (₱113 mn vs ₱31 mn as of December 31, 2013) mainly due to unrealized mark-to-market gains recognized on outstanding hedging instruments during the current period.

c. Investments in and Advances to Associates increased by ₱4.36 bn (₱52.28 bn vs ₱47.91 bn as of December 31, 2013) mainly due to the following: 1.) ₱1.5 bn capital infusion in Cebu District Property Enterprise Inc., b.) recording of the ₱7.24 bn share in earnings of associates, and c.) recognition of ₱1.91 bn share of a banking associate's fair valuation gains on its AFS investments. This increase was partially reduced by the ₱5.76 bn cash dividends received from associates and ₱249 mn sale of CICTI during the current period.

d. Gross of depreciation expense, the resulting ₱18.47 bn combined growth in Property Plant and Equipment (PPE), Investment Properties (IP), and Land and Improvements (LI) was mainly due to the following: 1.) ₱13.13 bn on-going construction of Davao, Pagbilao 3 and Cebu coal plants and Tudaya and Sabangan hydro power plants; 2.) ₱665 mn ongoing construction of Aseagas Corporation (AseaGas) biomass plant; 3.) ₱462 mn ongoing construction of new swine farms and other food group capital expenditures; 4.) ₱174 mn PPE of Vinh Hoan, a newly acquired subsidiary; 5.) ₱457 mn purchase of additional land for future development by the real estate group; and 6.) ₱3.55 bn various capex of the power group.

e. Pension Asset increased by 34% (₱134 mn vs ₱100 mn in December 2013) substantially due to the retirement contributions made by the Group during the year, reduced by benefits paid to retiring employees.

f. Goodwill increased by 16% (₱1.55 bn vs ₱1.33 bn as of December 31, 2013) due to the positive goodwill amounting to ₱394 mn generated from the acquisition of Vinh Hoan shares. This was partly offset by the reduction of the ₱179 mn provisional goodwill on VECO investment upon finalization of the fair value exercise related to the step acquisition made in 2013.

g. Other Noncurrent Assets (ONCA) increased by 36% (₱11.38 bn vs ₱8.37 bn as of December 31, 2013) primarily due to the build-up of deferred input VAT by the power group arising from the ongoing construction of its power plants.

The above increases were tempered by the following decreases:

a. Inventories decreased by 12% (₱7.66 bn vs ₱8.76 bn as of December 31, 2013) mainly due to lower inventory levels carried by power and food groups.

b. Intangible Asset-Service Concession Rights decreased by 7% (₱3.40 bn vs ₱3.66 bn in December 2013) mainly due to the amortization charged to consolidated net income during the period.

c. Deferred Income Tax Assets (DTA) decreased by 43% (₱350 mn vs ₱610 mn in December 2013) mainly due to the following: 1.) ₱581 mn reversal in 2014 of the deferred tax benefit on Net Operating Loss Carry Over (NOLCO) that was set up in December 2013, resulting from the application of this NOLCO against the generated taxable income in 2014; and 2.) ₱83 mn combined reversal in 2014 of deferred tax benefits on impairment provisions and unamortized contributions for past service, resulting from the actual write-off of certain accounts and claiming a portion of the unamortized past service contribution as a tax-deductible expense, respectively.

The above decrease was partly offset by the ₱397 mn reclassification of deferred tax liability on accumulated FX gain from DTA to Deferred Income Tax Liability (DTL). Said reclassification was done to reflect the shift of the concerned group's position from net DTA in December 2013 to net DTL in December 2014.

Liabilities

Consolidated short-term bank loans increased by 85% (₱7.34 bn vs ₱3.96 bn in December 2013) while long-term liabilities increased by 22% (₱111.44 bn vs ₱91.67 bn as of December 31, 2013). The increase in short-term loans was mainly due to availment by the Food and Real Estate Groups for working capital requirements. The ₱19.77 bn rise in long-term debt was substantially due to the ₱10 bn retail bond issuance by AP, ₱10.43 bn additional loan availment by Therma South, Inc. to finance ongoing coal plant construction, and ₱995 mn availment for Aseagas plant construction. Said increase was partly offset by the ₱1.60 bn principal amortization payments on long-term loans and finance lease obligation.

Trade and other payables, inclusive of noncurrent portion, were lower by 16%, from ₱18.96 bn to ₱15.98 bn, mainly due to the ₱2.37 bn net settlement by power subsidiaries of their trade payables and the deconsolidation of Abojeb's ₱250 mn payable accounts.

Income tax payable increased by 56%, from ₱444 mn to ₱695 bn due to recording of additional income tax liability for the current period mainly as a result of the expiry of TLI's ITH in December 2013.

Derivative liabilities decreased by 100% from ₱23 thousand to nil due to the mark-to-market gains recognized by a power subsidiary on its interest rate swap contract.

Customers deposits increased by 10%, from ₱5.42 bn to ₱5.94 bn mainly due to the growth in the customer base of power distribution subsidiaries.

Asset retirement obligation (ARO) increased by 17% from ₱2.01 bn to ₱2.35 bn due to accretion of the liability resulting from the passage of time.

Pension liability decreased by 22%, from ₱705 mn to ₱550 mn mainly on account of retirement contributions made by certain subsidiaries during the current year and the deconsolidation of Abojeb's ₱70 mn account.

Deferred income tax liabilities (DTLs) rose by 28%, from ₱1.37 bn to ₱1.76 bn, mainly due to the reclassification of ₱397 mn DTL on accumulated FX gain from DTA in 2013 to DTL in 2014.

Equity

Equity attributable to equity holders of the parent increased by 11% from year-end 2013 level of ₱96.93 bn to ₱107.94 bn, mainly due to the following: a.) ₱8.44 bn increase in Retained Earnings resulting from the ₱18.38 bn net income recorded during the year, reduced by the ₱9.94 bn cash dividends paid; b.) ₱917 mn sale of treasury shares; and c.) ₱1.91 bn share in a banking associate's unrealized mark-to market gains on its AFS investments. This was partially countered by the ₱314 mn acquisition of non-controlling interest generated from the purchase of the remaining 40% share in Lima Land and the acquisition of LEZ by AP.

Material Changes in Liquidity and Cash Reserves of Registrant

For the year ended December 2014, 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 2013, consolidated cash generated from operating activities in 2014 increased by ₱1.76 bn to ₱27.10 bn, mainly due to the growth in earnings before interest, depreciation and amortization (EBIDA) recorded by subsidiaries during the current year despite higher income taxes paid and settlement of trade payables.

The current period ended up with ₱14.42 bn net cash used in investing activities versus ₱12.65 bn last year. This was mainly due to higher funds spent on the ongoing plant constructions, investment in an associate and a subsidiary, and a step acquisition of a subsidiary. On disposal of investments, cash generated from the sale of CSB last year was more, vis-a-vis the sale of CICTI and Abojeb during the period in review.

Net cash from financing activities was at ₱1.66 bn, versus ₱10.35 bn used in 2013. This was attributed to the higher net debt availment of the Group and lower cash dividend payment by the registrant during the current period as compared with last year.

For the period in review, net cash inflows surpassed cash outflows, resulting in a 40% increase in cash and cash equivalents, from ₱36.12 bn as of year-end 2013 to ₱50.48 bn as of December 30, 2014.

Financial Ratios

Backed by strong operating cash inflows, liquidity was adequately preserved. Current ratio stood at 2.76x, from 2.64x at the start of the year, since current assets grew stronger than current liabilities.Both debt-to-equity and net debt-to-equity ratios climbed slightly to 1.08:1 (versus year-end 2013's 1.02:1) and 0.50x (versus year-end 2013's 0.48x), respectively. This was mainly due to the growth in total liabilities outpacing the increase in equity.

Item 7. Financial Statements

The audited consolidated financial statements of AEV will be incorporated herein by reference. The schedules listed in the accompanying Index to Supplementary Schedules will be filed as part of this SEC Form 20-IS.

Item 8. Information on Independent Accountant and other Related Matters

(A) External Audit Fees and Services

The external audit and consultancy fees incurred by the Registrant for the years 2016 and 2015 were as follows:

Fee Type	Year ended December 31, 2016	Year ended December 31, 2015
Audit Fees		
Audit Fees	₱469,910.00	₱401,846.00
Audit-Related Fees	-	5,626,405.00
Total	**₱469,910.00**	**₱6,028,251.00**
Non-Audit Fees		
Tax Fees	-	-
Consultancy Fees		3,132,060.00
Total		**₱3,132,060.00**
Total Audit and Non-Audit Fees	**₱469,910.00**	**₱9,160,311.00**

As a policy, the Board Audit Committee makes recommendations to the Board of Directors concerning the choice of external auditor and pre-approves audit plans, scope and frequency before the audit is conducted.

Audit services of external auditors for the years 2016 and 2015 were pre-approved by the Board Audit Committee. The Committee had also reviewed the extent and nature of these services to ensure that the independence of the external auditors is preserved.

(B) Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

The Company has engaged the services of SGV during the two most recent fiscal years. There are no disagreements with SGV on accounting and financial disclosure.

PART III – CORPORATE GOVERNANCE

Starting in 2014, AEV refreshed its efforts to strengthen the roles and responsibilities of its Board. This was guided by the Organization for Economic Co-operation and Development (OECD)'s five principles of Corporate Governance. AEV adopted new protocols and improved existing systems and policies to protect the rights of its shareholders. It safeguarded shareholders' equitable treatment and continuously recognized the value and participatory role of all stakeholders. AEV also practiced the appropriate level of transparency and improved corporate disclosures.

Shareholder Rights and Equitable Treatment

All shareholders, regardless of the amount of their shareholdings, are given the right to participate in the decision-making, pursuant to the Company's One Share, One Vote policy.

Moreover, to ensure that directors, officers, and even majority shareholders do not take advantage of their positions, all shareholders within the Aboitiz Group are apprised of all related party transactions, with amounts disclosed. All related party transactions in the Aboitiz Group are reported in AEV's Consolidated AFS every year.

All shareholders likewise receive notices of all shareholders' meetings, and all agenda items to be discussed and decided upon during the said meetings are set out in the notices and that no new agenda item will be taken up during the conduct of the meeting. For the guidance of shareholders, included in the notices to shareholders' meetings are the rationale of agenda items which are submitted to the shareholders for their approval.

Stakeholder Engagement

The Aboitiz Group is committed to the principles of sustainability to balance the interests of People, Planet, and Profit. By following this rule, AEV has obtained and maintained a good health, safety, and environmental track record. The Group launched its Sustainability Policy in 2013, in the belief that all stakeholders must be treated with fairness and that corporate social responsibility is an integral part of doing business. In support of this policy, in 2014, the Group launched its BetterWorld campaign to encourage all stakeholders to adopt this policy for sustainability.

AEV has a Manual of Corporate Governance (Manual) and Code of Ethics and Business Conduct (Code) to guide the attainment of its corporate goals and strategies. In 2016, the Board of Directors, upon the endorsement of the Board Corporate Governance Committee, approved the revised Code which now includes a more defined anti-corruption and bribery policy, sustainability policy and digital media policy, among others. To ensure compliance, copies of the Manual and the Code are made available to the Board of Directors, management and all employees through AEV's website. Company-wide orientations on the Manual and the Code are conducted yearly.

The Compliance Officer, together with the Human Resources Department, regularly monitors and evaluates compliance by the Board of Directors, management and employees to the Manual, the Code, other company policies, and existing laws and regulations. The Compliance Officer also ensures the implementation of AEV's rule against conflicts of interests and the misuse of confidential and proprietary information throughout the organization.

The Compliance Officer regularly reports to the Board Corporate Governance Committee the Company's compliance status with existing laws and regulations, as well as the Board's, management's and employees' compliance with internal governance policies.

There are no major deviations from the Manual as of the date of this report. The Board of Directors regularly reviews the Manual to ensure that the same remains relevant and responsive to the needs of the organization. Any amendments to the Manual are promptly submitted to the SEC for confirmation and approval.

Disclosure and Transparency

Pursuant to its commitment to transparency and accountability, AEV’s website, www.aboitiz.com, has its own dedicated corporate governance webpage which serves as a resource center and library for its stakeholders. The Company also maintains a Comprehensive Corporate Governance Report every year which is distributed before the Annual Stockholders’ Meeting. As part of its commitment to sustainability, AEV is maximizing the use of digital technology rather than the use of scarce paper sources.

A copy of the complete annual Corporate Governance Report (CG Report) of the Compliance Officer is available at www.aboitiz.com under Governance Reports of the Corporate Governance webpage. A condensed copy of the CG Report is also included in the Aboitiz Integrated Annual Report and can be accessed at www.aboitiz.com under Annual Report of the Investor Relations webpage (Investors' Kit).

Board Responsibility

The Board's primary objectives are to improve shareholder returns, to develop responsible long-term investments, and to achieve disciplined and sustainable growth. To this end, board attendance and active participation during board and committee meetings are encouraged from directors. Attendance during board meetings are closely monitored and reported by the Compliance Officer to the SEC and PSE, as well as in the Company's 2016 SEC Annual Corporate Governance Report uploaded in the company website.

In 2016, the Board held eight regular and special meetings. Below is a summary of the attendance of the Directors.

Directors	Regular and Special Meetings in 2016										Total Number of Meetings Attended by Each Member	Percentage of Attendance
	27-Jan Regular	8-Mar Special	31-Mar Special	16-May Regular	15-Jun Special	22-Jun Special	27-Jul Regular	2-Aug Special	22-Sept Regular	24-Nov Regular		
Jon Ramon Aboitiz	P	P	P	P	P	P	P	P	P	P	10	100.00%
Erramon I. Aboitiz	P	P	P	P	P	P	P	P	P	P	10	100.00%
Roberto E. Aboitiz	P	P	P	P	P	P	P	P	P	P	10	100.00%
Enrique M. Aboitiz	P	P	P	P	P	P	P	P	P	P	10	100.00%
Justo A. Ortiz	P	P	P	P	A	P	P	P	P	P	9	90.00%
Antonio R. Moraza	P	P	P	P	P	P	P	P	P	P	10	100.00%
Jose C. Vitug	P	P	P	P	P	P	P	P	P	P	10	100.00%
Stephen CuUnjieng	P	P	P	P	P	P	P	P	P	P	10	100.00%
Raphael P.M. Lotilla	P	P	P	P	P	P	P	P	P	P	10	100.00%
TOTAL NO. OF DIRECTORS PRESENT	**9**	**9**	**9**	**9**	**8**	**9**	**9**	**9**	**9**	**9**		
PERCENTAGE NO. OF DIRECTORS PRESENT IN EACH MEETING	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**88.89%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**		

Legend: P - Present, A - Absent

Pursuant to SEC Memorandum Circular No. 1-2014, the Company reported the attendance of the Board of Directors for the year 2016 to the SEC and the PSE through its 2016 SEC Annual Corporate Governance Report. A copy of the report was uploaded in the Company's website and can be accessed at http://aboitiz.com/corporate-governance/governance-reports-scorecards#sec-annual-corporate-governance-report.

Corporate governance is further fostered by the Board's active role in reviewing and approving corporate goals and strategies set by management, as well as in monitoring and evaluating management performance in meeting such goals. The different Board committees - Audit, Corporate Governance, and Risk and Reputation Management - report regularly to the Board and are crucial in maintaining Board oversight in key management areas.

The mandate and the composition of each Board committee are described below:

(a) The Board Corporate Governance Committee represents the Board in discharging its responsibility relating to issues around the Group's governance principles and guidelines, nomination of persons into Board and Group senior leadership roles, and the various compensation matters. Independent Directors comprise majority of the voting members of the Board Corporate Governance Committee.

Chairman: Jon Ramon Aboitiz; Members: Roberto E. Aboitiz, Ret. Justice Jose C. Vitug, Raphael P.M. Lotilla, Stephen T. CuUnjieng; Ex-Officio Members: M. Jasmine S. Oporto and Xavier Jose Aboitiz

(b) The Board Audit Committee represents the Board in discharging its responsibility related to audit matters for the Group. Independent Directors comprise majority of the members of the Board Audit Committee, including its Chairman.

Chairman: Ret. Justice Jose C. Vitug, Members: Raphael P.M. Lotilla, Stephen T. CuUnjieng, Roberto E. Aboitiz and Justo A. Ortiz; Invited Attendees: Stephen G. Paradies and Susan V. Valdez

(c) The Board Risk and Reputation Management Committee represents the Board in discharging its responsibility relating to risk management related matters for the Group.

Chairman: Enrique M. Aboitiz; Members: Justo A. Ortiz, Jon Ramon Aboitiz, Stephen T. CuUnjieng, Erramon I. Aboitiz, Ret. Justice Jose C. Vitug and Raphael P.M. Lotilla; Ex- Officio Members: Manuel R. Lozano and Susan V. Valdez

(d) The Board Related Party Transaction Committee represents the Board in discharging its responsibility relating to transactions entered into between or among the Company or any of its subsidiaries, affiliated, directors and officers.

The Committee shall consist of at least three directors, three of whom must be independent directors. The first members of the Committee shall be elected during the Organizational Meeting of the Board on May 15, 2017.

Corporate Governance Initiatives

Going beyond mere compliance and box-ticking, the Company regularly updates its corporate governance policies to ensure that they are relevant to the needs of the organization and, at the same time, at par with global best practices.

In 2013, AEV launched its corporate governance e-learning course which was made available to all newly hired employees of the Company. This e-learning course superseded the mandatory corporate governance seminar conducted for all employees during previous years and supplements the annual corporate governance training required by the SEC on all directors and key officers starting 2014, pursuant to SEC Memorandum Circular 1, Series of 2014.

The Company has in place a performance evaluation system for corporate governance. It participates in the annual Corporate Governance Scorecard Surveys of the SEC and the PSE to benchmark its corporate governance practices against best practices. AEV likewise participated in the ASEAN Corporate Governance Scorecard, the successor of the Institute of Corporate Directors (ICD)'s Corporate Governance Scorecard, which was adopted by the Philippines in September 2012. The 2016 ASEAN Corporate Governance Scorecard Assessment of the Company showed a marked improvement in the Company's score, a clear proof of the Company's serious efforts in adapting the best corporate governance practices available.

For a full discussion on the Company's initiatives, a copy of the complete CG Report of the Compliance Officer is available at http://aboitiz.com/corporate-governance/governance-reports-scorecards#sec-aAnnual-corporate-governance-report.

Corporate Governance Awards

As a testament to its commitment to adopt best practices, AEV has been consistently recognized in local and international surveys, assessments, and scorecards as among the Philippines' best-managed companies and cited for its commitment to good corporate governance practices.

In November 2015, the company was recognized as one of the Top 50 Publicly Listed Companies in 2015 ASEAN at the first-ever ASEAN Corporate Governance Awards. The event was organized by the ASEAN Capital Markets Forum and the SEC and held at the Manila Polo Club, Makati City. The Company was likewise recognized as one of the awardees of Top Philippine Publicly-Listed Companies in the 2015 PSE Bell Awards. AEV received the PSE Bell Awards for exemplary corporate governance practices.

In addition, AEV has been recognized with the following awards in 2015:

Award Giving Bodies	Awards	Recipient
ASEAN Capital Markets Forum and Securities and Exchange Commission	Top 50 Publicly Listed Companies in ASEAN	Aboitiz Equity Ventures, Inc.
Corporate Governance Asia	5th Asian Excellence Awards Best CEO – Investor Relations	Erramon I. Aboitiz
	5th Asian Excellence Awards Best CFO – Investor Relations	Stephen G. Paradies
	5th Asian Excellence Awards Best Investor Relations Company	Aboitiz Equity Ventures, Inc.
	5th Asian Excellence Awards Best CSR	Aboitiz Equity Ventures, Inc.
	5th Asian Excellence Awards Best Corporate Communications Team	Aboitiz Equity Ventures, Inc.

In 2016, AEV has been recognized with the following awards:

Award Giving Bodies	Awards	Recipient
2016 International Business Awards	Silver Stevie Award	Aboitiz Equity Ventures, Inc.
Asia Corporate Excellence and Sustainability Awards	Top CSR Advocate in Asia	Aboitiz Equity Ventures, Inc.
Philippine Stock Exchange, Inc.	2016 PSE Bell Award Finalists	Aboitiz Equity Ventures, Inc.
	2016 PSE Bell Awards	Aboitiz Power Corporation
2016 ASEAN Corporate Sustainability Summit and Awards	First Runner in the Resource Efficiency Category	Aboitiz Equity Ventures, Inc.
Finance Asia	Over-all Best Managed Power Company in Asia	Aboitiz Power Corporation
In-House Community Counsels of the Year	Integration Legal Team of the Year	Aboitiz Equity Ventures, Inc.
	Financial Services (ex-banking)Legal Team of the Year	Aboitiz Equity Ventures, Inc.
	Asian Legal Team of the Year	Aboitiz Equity Ventures, Inc.

ANNEX "A"

EXPLANATION OF AGENDA ITEMS REQUIRING STOCKHOLDERS' APPROVAL

ITEM NO. 2: Proof of Notice of Meeting

RATIONALE: To inform the stockholders that notice requirements for the 2017 Annual Stockholders' Meeting (2017 ASM) have been complied with in accordance with the Company's By-Laws and the Corporation Code of the Philippines.

The Corporate Secretary will certify the date that notices for the 2017 ASM were sent out to the stockholders of record, the date of publication, and the newspapers where the notice was published.

ITEM NO. 3: Determination of Quorum and Conduct of Voting

RATIONALE: To inform the stockholders of the existence of a quorum for the 2017 ASM, and of the procedure for the conduct of voting for the agenda items being put to a vote.

The Corporate Secretary will certify the existence of a quorum, as verified and confirmed by the Board of Election Inspectors. Stockholders representing at least a majority of the outstanding capital stock, in person or by proxy, shall constitute a quorum for the transaction of business.

Should there be agenda items put to a vote, the following are the rules of conduct and procedures:

(i) During the registration process, Company personnel with nametags labeled "AEV ASM Staff" will issue numbered voter receipts to stockholders and proxies. The ASM Staff will keep the receipts and details of the voters in the ASM registration records.

(ii) Voting shall be done manually. The ASM Staff will distribute to the stockholders and proxies the relevant ballot for the particular agenda item put to a vote. The sample ballot for the agenda item will also be displayed in the screen in front of the Ballroom.

(iii) The stockholders and proxies are required to present their voter receipts to the ASM Staff so that they will be provided with the ballots. Valid ballots bear the signature of the Corporate Secretary at the back.

(iv) To vote, a stockholder is required to fill up the ballot, indicate his voting number, and the number of shares of stock he owns consistent with the records of the Company. The ASM Staff will collect the ballots for counting.

(v) Each outstanding share of stock entitles the stockholder to one (1) vote, except for the election of directors where a stockholder may distribute his shares for as many nominees as there are directors to be elected, or he may cumulate his shares and give one candidate as many votes as the number of directors to be elected. The total number of votes cast should not exceed the total number of shares a stockholder owns.

(vi) In general, the approval of the stockholders owning and representing at least majority of the capital stock present at the meeting is sufficient to approve an agenda item. There is no item in the 2017 ASM Agenda that requires a higher percentage of votes from the stockholders.

(vii) All votes received shall be tabulated by the Office of the Corporate Secretary and the results shall be validated by Luis Cañete & Company, an independent auditing firm which has been appointed as the Board of Election Inspectors.

(viii) The Corporate Secretary shall report the votes received and inform the stockholders if the particular agenda item is carried or disapproved. The total number of votes cast for all items for approval under the agenda will be flashed on the screen.

ITEM NO. 4: Reading and Approval of the Minutes of the Previous Stockholders' Meeting held on May 16, 2016

RATIONALE: To allow the stockholders to confirm that the proceedings during the ASM were recorded accurately and truthfully.

The minutes of the meeting held on May 16, 2016 are posted at AEV's website, www.aboitiz.com. Copies of the minutes were also distributed to the stockholders before the meeting.

A resolution approving the minutes of the May 16, 2016 ASM will be presented to the stockholders for approval.

ITEM NO. 5: Presentation of the President's Report

RATIONALE: To apprise the stockholders of the Company's operating performance, financial condition and outlook.

The President and Chief Executive Officer, Mr. Erramon I. Aboitiz, shall deliver a report to the stockholders on the 2016 operating and financial performance of the Company, as well as its outlook for 2017.

ITEM NO. 6: Approval of the 2016 Annual Report and Financial Statements

RATIONALE: To present to the stockholders the results of the Company's operations in 2016, in accordance with Section 75 of the Corporation Code.

The Company's audited financial statements as of December 31, 2016 is integrated and made part of the Company's 2016 Definitive Information Statement (2016 Information Statement). The 2016 Information Statement will be sent to the stockholders at least fifteen (15) days prior to the ASM, and the same will be posted at the Company's website at www.aboitiz.com.

A resolution approving the 2016 Annual Report and audited financial statements shall be presented to the stockholders for approval.

ITEM NO. 7: Appointment of the Company's External Auditor for 2017

RATIONALE: To appoint an auditing firm which can best provide assurance to the directors and stockholders on the integrity of the Company's financial statements and adequacy of its internal controls. The Board Audit Committee and the Board of Directors will endorse an external auditor for 2017 for the shareholders to appoint.

The Company's Board Audit Committee recommended the election of Sycip Gorres Velayo & Co. (SGV) as the Company's external auditor for 2017. SGV has been AEV's Independent Public Accountant for the last 23 years. Ms. Leovina Mae V. Chu has been AEV's audit partner since 2012. AEV complies with the requirements of Section 3(b) (ix) of SRC Rule 68 on the rotation of external auditors or signing partners and the two-year cooling-off period.

There was no event in the past 23 years wherein AEV and SGV or its handling partner had any disagreement regarding any matter relating to accounting principles or practices, financial statement disclosures or auditing scope or procedures.

A resolution for the appointment of the Company's external auditor for 2017 shall be presented to the stockholders for approval.

ITEM NO. 8: Ratification of the Acts, Resolutions and Proceedings of the Board of Directors, Corporate Officers and Management in 2016 up to May 15, 2017

RATIONALE: To allow the stockholders to ratify the acts of the Board of Directors and Officers of the Company as a matter of procedure or policy.

The resolutions approved by the Board in its regular and special meetings refer to acts done by the Board, Corporate Officers and Management in the ordinary course of business. The board resolutions are enumerated in the 2016 Information Statement. The Company also regularly discloses material transactions approved by the Board. These disclosures are available for viewing and download at the Company's website at www.aboitiz.com.

A resolution to ratify the acts, resolutions and proceedings of the Board of Directors, corporate officers and management in 2016 up to the date of the ASM shall be presented to the stockholders for approval.

ITEM NO. 9: Election of the Members of the Board of Directors

RATIONALE: To allow stockholders to elect the Company's Board of Directors in accordance with Section 24 of the Corporation Code and the Company's By-Laws.

A stockholder may submit his nominee to the Company's Board of Directors to the Board Corporate Governance Committee in accordance with the deadlines set forth in the Company's Amended By-Laws, which for this year shall be on or before April 21, 2017. Under the Guidelines for the Nomination and Election of Independent Directors, the period for nominations for Independent Directors started on January 1, 2017 and the table of nominations closed on February 15, 2017. The stockholders who nominated the Independent and other directors are disclosed in the 2016 Information Statement. The Board Corporate Governance Committee assesses and evaluates the nominees before submitting the final list of qualified nominees to the stockholders for approval. The profiles of all the nominees are included in the 2016 Information Statement and uploaded in the Company's website for examination by the stockholders.

A stockholder may distribute his shares for as many nominees as there are directors to be elected, or he may cumulate his shares and give one candidate as many votes as the number of directors to be elected, provided that the total number of votes cast does not exceed his shares in the Company. The nine nominees receiving the highest number of votes will be declared elected as directors of the Company.

ITEM NO. 10: Other Matters

The Chairman will open the floor for comments or queries by the stockholders. Stockholders may raise matters which may be properly taken up during the 2017 ASM.

ANNEX "B-1"

CERTIFICATION OF INDEPENDENT DIRECTORS

I, Justice Jose C. Vitug (ret.), Filipino, of legal age and a resident 373 Matienza St., San Miguel, Manila, after having been duly sworn to in accordance with law, do hereby declare that:

1. I am a nominee for independent director of Aboitiz Equity Ventures, Inc. (AEV) and have been its independent director since May 16, 2005.

2. I am currently affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
ABS-CBN Holdings Corporation	Independent Director	2011 to present
Angeles University Foundation Medical Center	Chairman of the Board of Trustees	2007 to present
Angeles University Foundation	Board Member and Law Dean	2005 to present
Philippine Judicial Academy	Professorial Lecturer	2004 to present
San Beda College, School of Law	Graduate Professor	2005 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of AEV, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am not related to any director/officer/substantial shareholder of AEV and its subsidiaries and affiliates.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I am not an officer or employee of any government agency, government instrumentality or government-owned and controlled corporation.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall inform the corporate secretary of AEV of any changes in the abovementioned information within five (5) days from its occurrence.

Done, this MAR 2 3 2017 at Taguig City.

Justice Jose C. Vitug (ret.)
Affiant

SUBSCRIBED AND SWORN TO before me this MAR 2017 at Taguig City, affiant exhibiting to me his Driver's License No. N1062012245 issued at LTO Manila on July 8, 2015 bearing the affiant's photograph and signature.

Racquel Rose M. Gumia
Notary Public for Taguig City
Notarial Commission No. 51
Until December 31, 2018
NAC Tower, 32nd Street, Bonifacio Global City, Taguig City
PTR No. A-3162202; Taguig City; January 04, 2017
IBP No. 010832; Davao City; March 19, 2012
Roll No. 60028
MCLE No. V-0011250

ATTY. RACQUEL ROSE M. GUMIA
ROLL NO. 60028
NOTARY PUBLIC
TAGUIG CITY, PHILS.

Doc. No. 105;
Page No. 22;
Book No. 1;
Series of 2017.

ANNEX "B-2"

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **Stephen T. CuUnjieng**, Filipino, of legal age and a resident of 1362 Palm Avenue, Dasmariñas Village, Makati City, after having been duly sworn to in accordance with law, do hereby declare that:

1. I am a nominee for independent director of Aboitiz Equity Ventures, Inc. (AEV) and have been its independent director since May 17, 2010.

2. I am currently affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
SM Investment Corporation	Adviser to the Board	2008 to present
Evercore	Chairman for Asia	2010 to present
Century Properties Group	Independent Director	2015 to present
Wharton School of Business, University of Philadelphia, PA, USA	Member of the Executive Board for Asia	2015 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of AEV, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am not related to any director/officer/substantial shareholder of AEV and its subsidiaries and affiliates.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I am not connected with any government agency, government instrumentality or government-owned and controlled corporation.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall inform the corporate secretary of AEV of any changes in the abovementioned information within five (5) days from its occurrence.

Done, this MAR 23 2017 at TAGUIG CITY City.

Stephen T. CuUnjieng
Affiant

SUBSCRIBED AND SWORN TO before me this MAR 2 3 2017 at TAGUIG CITY, affiant exhibiting to me his Philippine Passport No. EC3404952 issued at DFA Manila on February 7, 2015 bearing the affiant's photograph and signature.

Doc. No. 106;
Page No. 23;
Book No. 1;
Series of 2017.

ATTY. RACQUEL ROSE M. GUMIA
ROLL NO. 60028
NOTARY PUBLIC
TAGUIG CITY, PHILS.

Racquel Rose M. Gumia
Notary Public for Taguig City
Notarial Commission No. 51
Until December 31, 2018
NAC Tower, 32nd Street, Bonifacio Global City, Taguig City
PTR No. A-3162202; Taguig City; January 04, 2017
IBP No. 010832; Davao City; March 19, 2012
Roll No. 60028
MCLE No. V-0011250

ANNEX "B-3"

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **Raphael Perpetuo M. Lotilla**, Filipino, of legal age and a resident of 38K Square Homes, Cenacle Drive, Sanville, Quezon City, after having been duly sworn to in accordance with law, do hereby declare that:

1. I am a nominee for independent director of Aboitiz Equity Ventures, Inc. (AEV) and have been its independent director since May 21, 2012.

2. I am currently affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
Center for the Advancement of Trade Integration and Facilitation	Chairman of the Board of Trustees	2013 to present
First Metro Investment, Inc.	Independent Director	2013 to present
Trans Asia Petroleum Corporation	Independent Director	2014 to present
Petron Foundation, Inc.	Independent Director	2014 to present
Asia-Pacific Pathways to Progress Foundation, Inc.	Chairman of the Board of Trustees	2014 to present
Philippine Institute for Development Studies	Trustee	2014 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of AEV, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am not related to any director/officer/substantial shareholder of AEV and its subsidiaries and affiliates.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I have the written permission or consent from the President of Philippine Institute for Development Studies to be an independent director in AEV, pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall inform the corporate secretary of AEV of any changes in the abovementioned information within five (5) days from its occurrence.

Done, this MAR 2 3 2017 at TAGUIG CITY City.

Raphael Perpetuo M. Lotilla
Affiant

SUBSCRIBED AND SWORN TO before me this MAR 2 3 2017 at TAGUIG CITY, affiant exhibiting to me his Philippine Passport No. EC0746995 issued at DFA Manila on April 2, 2014 bearing the affiant's photograph and signature.

ATTY. RACQUEL ROSE M. GUMIA
ROLL NO. 60028
NOTARY PUBLIC
TAGUIG CITY, PHILS.

Racquel Rose M. Gumia
Notary Public for Taguig City
Notarial Commission No. 51
Until December 31, 2018
NAC Tower, 32nd Street, Bonifacio Global City, Taguig City
PTR No. A-3162202; Taguig City; January 04, 2017
IBP No. 010832; Davao City; March 19, 2012
Roll No. 60028
MCLE No. V-0011250

Doc. No. 104;
Page No. 22;
Book No. I;
Series of 2017.

ANNEX "C"

SUMMARY OF THE MINUTES OF THE 2016 ANNUAL STOCKHOLDERS' MEETING

The meeting was called to order on May 16, 2016 at 4:00 p.m. by the Chairman of the Board, Mr. Jon Ramon Aboitiz. The Corporate Secretary certified that on April 21, 2016, notices for the 2016 Annual Stockholders' Meeting of AEV were duly sent out to all stockholders of record as of the close of business hours on March 31, 2016. The Corporate Secretary further reported that notices of the meeting were also published in Philippine Daily Inquirer, Philippine Star, Business World and Business Mirror on April 11, 2016.

The Corporate Secretary certified to the existence of a quorum, there being present a total of 5,264,456 shares present in person and 4,702,700,586 shares represented by proxy, or a total of 4,706,965,042 shares which constitute at least a majority of, or 84.76% of the total outstanding capital stock of 5,554,266,807 entitled to vote, or more than 2/3 of the total outstanding shares entitled to vote.

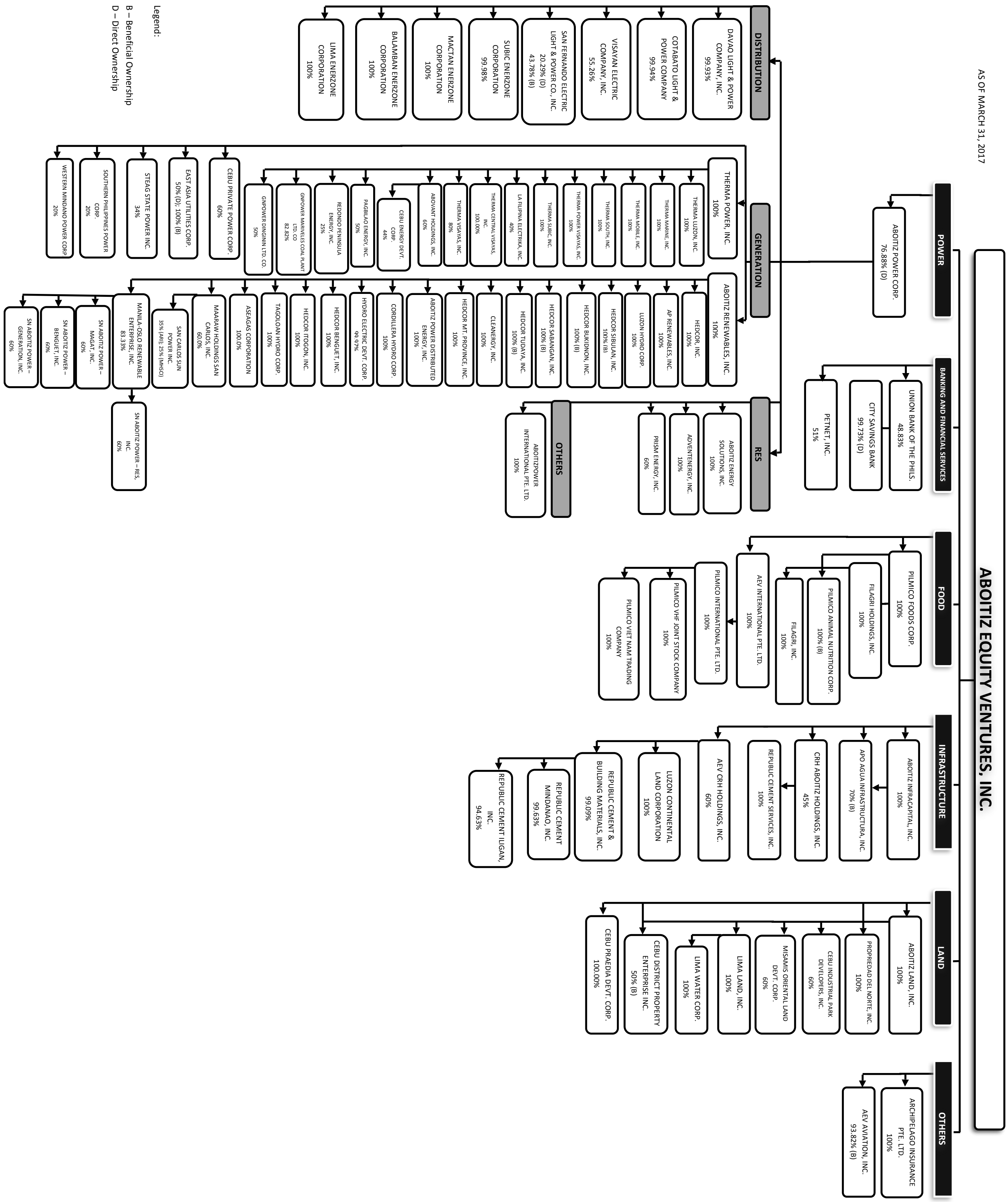
Upon motion duly made and seconded, the minutes of the previous Annual Stockholders' Meeting last May 16, 2016 was approved.

The body passed the following resolutions:

1. Approval of the 2015 Annual Report and Financial Statements
2. Delegation of the Authority to Elect the Company's External Auditors for 2016 to the Board of Directors
3. Ratification of the Acts, Resolutions and Proceedings of the Board of Directors, Corporate Officers and Management in 2015 up to May 16, 2016
4. Election of the Members of the Board of Directors

After the approval of such resolutions, the meeting was duly adjourned.

ANNEX "D"


AS OF MARCH 31, 2017
ABOITIZ EQUITY VENTURES, INC.
POWER
ABOITIZ POWER CORP. 76.88% (D)
DISTRIBUTION
DAVAO LIGHT & POWER COMPANY, INC. 99.93%
COTABATO LIGHT & POWER COMPANY 99.94%
VISAYAN ELECTRIC COMPANY, INC. 55.26%
SAN FERNANDO ELECTRIC LIGHT & POWER CO., INC. 20.29% (D) 43.78% (B)
SUBIC ENERZONE CORPORATION 99.98%
MACTAN ENERZONE CORPORATION 100%
BALAMBAN ENERZONE CORPORATION 100%
LIMA ENERZONE CORPORATION 100%
GENERATION
THERMA POWER, INC. 100%
THERMA LUZON, INC. 100%
THERMA MARINE, INC. 100%
THERMA MOBILE, INC. 100%
THERMA SOUTH, INC. 100%
THERMA POWER VISAYAS, INC. 100%
THERMA SUBIC, INC. 100%
LA FILIPINA ELECTRIKA, INC. 40%
THERMA CENTRAL VISAYAS, INC. 100.00%
THERMA VISAYAS, INC. 80%
ABOVANT HOLDINGS, INC. 60%
CEBU ENERGY DEVT. CORP. 44%
PAGBILAO ENERGY, INC. 50%
REDONDO PENINSULA ENERGY, INC. 25%
GNPOWER MARIVELES COAL PLANT LTD. CO. 82.82%
GNPOWER DINGININ LTD. CO. 50%
CEBU PRIVATE POWER CORP. 60%
EAST ASIA UTILITIES CORP. 50% (D); 100% (B)
STEAG STATE POWER INC. 34%
SOUTHERN PHILIPPINES POWER CORP. 20%
WESTERN MINDANAO POWER CORP. 20%
ABOITIZ RENEWABLES, INC. 100%
HEDCOR, INC. 100%
AP RENEWABLES, INC. 100%
LUZON HYDRO CORP. 100%
HEDCOR SIBULAN, INC. 100% (B)
HEDCOR BUKIDNON, INC. 100% (B)
HEDCOR SABANGAN, INC. 100% (B)
HEDCOR TUDAYA, INC. 100% (B)
CLEANERGY, INC. 100%
HEDCOR MT. PROVINCE, INC. 100%
ABOITIZ POWER DISTRIBUTED ENERGY, INC. 100%
CORDILLERA HYDRO CORP. 100%
HYDRO ELECTRIC DEVT. CORP. 99.97%
HEDCOR BENGUET, INC. 100%
HEDCOR ITOGON, INC. 100%
TAGOLOAN HYDRO CORP. 100%
ASEAGAS CORPORATION 100.0%
MARAW HOLDINGS SAN CARLOS, INC. 60.0%
SAN CARLOS SUN POWER INC. 35% (ARI); 25% (MHSCI)
MANILA-OSLO RENEWABLE ENTERPRISE, INC. 83.33%
SN ABOITIZ POWER – MAGAT, INC. 60%
SN ABOITIZ POWER – BENGUET, INC. 60%
SN ABOITIZ POWER – GENERATION, INC. 60%
SN ABOITIZ POWER – RES, INC. 60%
RES
ABOITIZ ENERGY SOLUTIONS, INC. 100%
ADVENTENERGY, INC. 100%
PRISM ENERGY, INC. 60%
OTHERS
ABOITIZPOWER INTERNATIONAL PTE. LTD. 100%
BANKING AND FINANCIAL SERVICES
UNION BANK OF THE PHILS. 48.83%
CITY SAVINGS BANK 99.73% (D)
PETNET, INC. 51%
FOOD
PILMICO FOODS CORP. 100%
FILAGRI HOLDINGS, INC. 100%
PILMICO ANIMAL NUTRITION CORP. 100% (B)
FILAGRI, INC. 100%
AEV INTERNATIONAL PTE. LTD. 100%
PILMICO INTERNATIONAL PTE. LTD. 100%
PILMICO VHF JOINT STOCK COMPANY 100%
PILMICO VIET NAM TRADING COMPANY 100%
INFRASTRUCTURE
ABOITIZ INFRACAPITAL, INC. 100%
APO AGUA INFRASTRUCTURA, INC. 70% (B)
CRH ABOITIZ HOLDINGS, INC. 45%
REPUBLIC CEMENT SERVICES, INC. 100%
AEV CRH HOLDINGS, INC. 60%
LUZON CONTINENTAL LAND CORPORATION 100%
REPUBLIC CEMENT & BUILDING MATERIALS, INC. 99.09%
REPUBLIC CEMENT MINDANAO, INC. 99.63%
REPUBLIC CEMENT ILIGAN, INC. 94.63%
LAND
ABOITIZ LAND, INC. 100%
PROPRIEDAD DEL NORTE, INC. 100%
CEBU INDUSTRIAL PARK DEVELOPERS, INC. 60%
MISAMIS ORIENTAL LAND DEVT. CORP. 60%
LIMA LAND, INC. 100%
LIMA WATER CORP. 100%
CEBU DISTRICT PROPERTY ENTERPRISE INC. 50% (B)
CEBU PRAEDIA DEVT. CORP. 100.00%
OTHERS
ARCHIPELAGO INSURANCE PTE. LTD. 100%
AEV AVIATION, INC. 93.82% (B)
Legend:
B – Beneficial Ownership
D – Direct Ownership

The Board Audit Committee Report to the Board of Directors

The Board Audit Committee is pleased to present its report for the financial year ended December 31, 2016.

Audit Committee Responsibility

In giving effect to its duly approved charter, the Audit Committee assisted the Board of Directors in fulfilling its oversight responsibility to the Company and tis stakeholders by providing guidance relating to: (a) the adequacy and efficiency of the company's system of internal controls, governance and risk management processes; (b) the quality and integrity of the company's accounting, auditing, legal, ethical and regulatory compliances; (c) the annual independent audit of the Company's financial statements and the external auditors' qualification and independence; (d) due observance of applicable laws and regulations that may have financial and other material exposure to the Company; and (e) providing an avenue of communication among the independent auditors, the management, the internal audit and the Company.

It has established a constructive and collaborative relationship with the Company's senior leadership to assist not to pre-empt any responsibility in making final audit-related decisions.

Committee Membership

The Audit Committee is composed of five (5) members, three (3) of whom are independent directors including the Chairman.

Jose C. Vitug, a retired Justice of the Supreme Court (an Independent Director) is the Chairman of the Committee. He is ably assisted by Atty. Raphael P. M. Lotilla (Independent Director), Stephen T. CuUnjieng (Independent Directors), Justo A. Ortiz (Non-Executive Director) and Roberto E. Aboitiz (Non-Executive Director).

Meetings and Attendance

The Audit Committee carried out its function through its meetings with management, internal audit, independent external auditors, and advisers, where appropriate.

The audit charter provides for the Committee to hold at least four regular meetings a year, with the authority to convene special meetings when deemed required. It also holds an annual joint meeting with the Board Risk and Reputation Committee.

In 2016, six meetings were held. The attendance by each member of the committee is as so indicated below:

Member	Mar 4, 2016 Regular Meeting	May 3, 2016 Regular Meeting	July 26, 2016 Regular Meeting	Oct 24, 2016 Regular Meeting	Oct 26, 2016 Regular Meeting	Nov 22, 2016 Joint with Risk
JOSE C. VITUG Chairman, Independent Director	✓	✓	✓**	✓	✓	✓
STEPHEN T. CUUNJIENG Independent Director	✓	✓	✓	✓	✓	✓
RAPHAEL P. M. LOTILLA Independent Director	✓	✓	✓	✓	✓	✓
ROBERTO E. ABOITIZ Non-Executive Director	✓*	✓*	✓	✓	✓	✓
JUSTO A. ORTIZ Non- Executive Director	✓	✓	✓	✓	✓	✓

* Attended via videocon
** Attended via telecon

Attendees to these meetings also include the Group Internal Audit Head, the Chief Reputation and Risk Management Officer and by invitation the Chief Financial Officer, Controller and other key leaders when deemed appropriate.

Financial Reports

The Audit Committee reviewed, discussed, and endorsed for the approval of the Board the 2016 quarterly unaudited consolidated financial statements and the 2016 annual audited financial statements of Aboitiz Equity Ventures, Inc., its subsidiaries and alliances. Included in the review were the Management Discussion and Analysis of Financial Condition and Results of Operations following prior review and discussion with management, accounting, and the company's independent external auditor, SyCip Gorres Velayo & Co. (SGV)—a member practice of Ernst & Young (EY) in the Philippines.

The activities of the Audit Committee are performed in the context—

(a) That management has the primary responsibility for the financial statements and the financial reporting process; and
(b) That the company's independent external auditor is responsible for expressing an unqualified opinion on the conformity and consistency of application of the Company's audited financial statements with Philippine Financial Reporting Standards.

External Auditors

Upon the endorsement of the Audit Committee to the Board which, in turn, sought the approval of the shareholders of Aboitiz Equity Ventures, Inc., during its Annual General Stockholders Meeting held last May 16, 2016, SyCip Gorres Velayo & Co. (SGV) was re-appointed as the independent external auditor for 2016. The overall scope and audit plan of SGV were reviewed and approved during the October 24, 2016 regular Audit Committee meeting. The audit plan, fees and terms of engagement which covers audit-related services provided by SGV were also reviewed and found to be reasonable.

The results of the SGV audits and its assessment of the overall quality of the financial reporting process were presented and discussed during the first Audit Committee meeting the following year, March 3, 2017. SGV presented the effects of changes in relevant accounting standards and presentation of financial statements that impact on the reported results.

No non-audit services were provided by SGV for AEV parent in 2016.

Internal Auditors

The Audit Committee is satisfied with the internal audit function and has assessed that it is operating effectively and is able to generally cover the top risks pertinent to the company in its audits. The Committee has reviewed and approved the annual audit program for the year which also covers the adequacy of resources, qualifications and competency of the staff and independence of the internal auditor.

With reference to the IPPF Attribute Standard 1100 which states that *"The Internal Audit Activity must be independent, and internal auditors must be objective in performing their work.",* the Committee confirms that the function is executed effectively and internal auditors have conducted their responsibilities objectively and in an unbiased manner. The Committee further confirms that, to the best of its knowledge and belief, the auditors have no personal or other impairments that would prevent them from objectively planning, conducting, reporting, or otherwise participating and reaching independent conclusions in their audit assignments in 2016. Internal audit is organizationally positioned to be independent— functionally reporting to the Board Audit Committee and administratively to the President and Chief Executive Officer.

We are satisfied with the content and quality of reports prepared and issued by the internal auditors during the year under review.

The Group Internal Audit (GIA) remains to be the single-point-of-contact for the Audit Committee. It takes the lead in setting the standards, initiatives and overall direction of the group audit teams which, in turn, focus their reviews on the top risks of their respective business units. Cybersecurity risks, however, still remain to be an area covered by the group information systems auditors.

Based on audit reports and highlights presented to the Committee and with the contribution provided by management and other key leaders on the issues raised to their attention, the Committee concurs with internal audit's assessment that, overall there is reasonable assurance that the existing system of internal controls allows for a generally adequate management of identified risks and effectively supports the improvement of the management of the Company as a whole.

Review of the Audit Charters

The Committee reviewed and assessed the current audit charters in its meeting held October 26, 2016. Minor revisions were effected on the internal audit charter. Should there be any change in the Board Audit Committee Charter, approval of the Board of Directors would be required.

Self-Assessment

The Committee conducted its annual self-assessment in accordance with the guidelines of SEC Memo Cir. No. 4, series of 2012. The assessment result showed that it fully complied with the requirements set forth in the Audit Charter and met the necessary and most important requirements set by global standards and best practices.

Risk Management

It is essential for the internal audit function to consider and evaluate how to provide assurance against the top risks of the company.

The partnership between the functions of risk management and audit has remained solid. In order to continuously provide objective assurance to the board on the effectiveness of risk management, a joint audit and risk committee meeting is held at least once a year. In November 22, 2016, internal audit presented and discussed the results of its validation review of the risk management action plans identified by the different business and corporate service units. Assurance was given when results of the review show that majority of risk action plans for the year generally, were either acted upon (done) or being addressed (in-progress).

Also presented in the joint meeting are the top strategic risks that present a significant impact to the Company's ability to execute its plans, strategies and business objectives for the following year. These top risks guide audit's risk-based planning.

After considering, analyzing and reviewing all pertinent information on the integrity of financial reporting, effectiveness of internal controls, risk management, governance and compliance within the Aboitiz group of companies, the Committee is of the view that, in all material aspects, the duties and responsibilities as so outlined in its Charter have been satisfactorily performed.

In behalf of the Committee,

Jose C. Vitug
(Retired Justice, Supreme Court/Independent Director)
Chairman

aboitiz
Equity Ventures

SECURITIES & EXCHANGE COMMISSION
SEC Building, EDSA Greenhills
Mandaluyong, Metro Manila

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The management of **Aboitiz Equity Ventures, Inc. (Parent)** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2016 and 2015, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders or members.

Sycip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

JON RAMON M. ABOITIZ
Chairman of the Board

ERRAMON I. ABOITIZ
President & Chief Executive Officer

MANUEL R. LOZANO
Senior Vice President - Chief Financial Officer

Signed this 7th day of March, 2017.

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Equity Ventures

Republic of the Philippines)
Taguig City) S.S.

Before me, a notary public in and for the city named above, personally appeared:

Name	Passport/CTC	Date/Place Issued
Jon Ramon M. Aboitiz	EB9718353	November 29, 2013, Cebu City
	26525303	January 24, 2017, Cebu City
Erramon I. Aboitiz	EB7151577	January 14, 2013, Cebu City
	26533114	January 24, 2017, Cebu City
Manuel R. Lozano	EC1926563	August 18, 2014, NCR South
	00808330	February 3, 2017, Taguig City

who are personally known to me and to me known to be the same persons who presented the foregoing instrument and signed the instrument in my presence, and who took an oath before me as to such instrument.

Witness my hand and seal this MAR 2 2 2017 day of ____________ 2017.

Doc. No. 98;
Page No. 21;
Book No. I;
Series of 2017.

ATTY. RACQUEL ROSE M. GUMIA
ROLL NO. 60028
NOTARY PUBLIC
TAGUIG CITY, PHILS.

Racquel Rose M. Gumia
Notary Public for Taguig City
Notarial Commission No. 51
Until December 31, 2018
NAC Tower, 32nd Street, Bonifacio Global City, Taguig City
PTR No. A-3162202; Taguig City; January 04, 2017
IBP No. 010832; Davao City; March 19, 2012
Roll No. 60028
MCLE No. V-0011250

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Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Aboitiz Equity Ventures, Inc.
32nd Street, Bonifacio Global City
Taguig City, Metro Manila
Philippines

Opinion

We have audited the consolidated financial statements of Aboitiz Equity Ventures, Inc. and its subsidiaries (the Group), which comprise the consolidated balance sheets as at December 31, 2016 and 2015, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2016 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters.

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Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Accounting for Business Combinations: Acquisition of GNPower Mariveles Coal Plant Ltd. Co. (GMCP) and GNPower Dinginin Ltd. Co. (GNPD)

As disclosed in Note 9 to the consolidated financial statements, on October 4, 2016, the Group, through Therma Power, Inc. (TPI), entered into a Purchase and Sale Agreement to acquire partnership interests in GMCP and GNPD held by affiliated investment funds of The Blackstone Group L.P. for US$1.2 billion. We consider the accounting for this acquisition to be a key audit matter due to the transaction's financial significance to the Group and significant management's judgment involved in determining the acquisition date and the existence of control.

Philippine Financial Reporting Standards (PFRS) 3, *Business Combinations*, allows the fair value of assets acquired to be continually refined for a period of one year after the acquisition date in cases where judgment is required to ensure the adjustments made reflect new information obtained about facts and circumstances that existed as of acquisition date. As of December 31, 2016, the accounting for this business combination was provisionally determined.

Audit Response
We obtained an understanding of the transaction through discussions with management and our review of the Purchase and Sale Agreement. We also reviewed management's accounting for the business acquisition, including the provisional purchase price allocation and goodwill, and the assessment of control in accordance with PFRS 3, *Business Combinations*, and PFRS 10, *Consolidated Financial Statements*. We evaluated management's assessment of the acquisition date and performed procedures to check the results of operations commencing from the acquisition date. We also evaluated the presentation and the disclosure of the transaction in the consolidated financial statements.

Accounting for Business Combinations: Increased ownership in East Asia Utilities Corporation (EAUC)

As disclosed in Note 9 to the consolidated financial statements, on June 14, 2016, Aboitiz Power Corporation (APC), through TPI, acquired the remaining 50% ownership interest in EAUC from El Paso Philippines Energy Company, Inc. for ₱513.2 million, and consolidated EAUC as of the acquisition date. As of December 31, 2016, EAUC is a wholly owned subsidiary of APC. Based on the quantitative materiality of the acquisition and the significant degree of management judgment that the remeasurement of previously-held interest and purchase price allocation requires, we have determined this to be a key audit matter.

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Audit response
We reviewed the sale/purchase agreement covering the acquisition and evaluated the payment of the purchase price to the sellers. We also involved our internal specialist in reviewing the valuation methodologies and assumptions used in valuing acquired assets, including the fair value of the previously-held interest. We then compared the key assumptions used in the provisional purchase price allocation against historical trends and external data.

Revenue Recognition of Distribution Utilities

The Group's revenue from the sale of electricity accounts for 38% of the Group's consolidated revenue and is material to the Group. This matter is significant to the audit because the revenue recognized depends on the electric consumption captured, the rates applied across different customers and the systems involved in the billing process. Electric consumption captured is based on the meter readings taken on various dates for the different types of customers (i.e., industrial, commercial, and residential customers) within the franchise areas of operations of the distribution utilities. Disclosures related to this matter are provided in Notes 3 and 25 of the consolidated financial statements.

Audit Response
We obtained an understanding and evaluated the design and tested the controls over the billing and revenue process which includes the capture and accumulation of meter data in the billing system and calculation of billed amounts, and uploading of billed amounts from the billing system to the financial reporting system. We performed a test calculation of the rates using the Energy Regulatory Commission-approved rates and formulae, then compared them with the rates used in billing statements.

Accounting for Investment in an Associated Company

Aboitiz Equity Ventures, Inc. (AEV) exercises significant influence over Union Bank of the Philippines (UBP), a universal bank publicly listed in the Philippine Stock Exchange. AEV's investment in UBP is accounted for under the equity method. UBP's income is significantly affected by the level of provisioning of its loans and receivables, which requires significant management judgment. The Group's disclosure on investments in associates is in Note 10 to the consolidated financial statements.

Audit Response
Our audit procedures included, among other things, requesting the statutory auditor of UBP to perform an audit on the relevant financial information of UBP for the purpose of the consolidated financial statements of the Group. We met with the statutory auditor of UBP and discussed the risk assessment, audit strategy and significant developments in UBP. We also performed a review of the working papers at the statutory auditor's office, which included a review of the loans and receivables of UBP including the inputs and assumptions for specific and collective impairment assessment. We recomputed the Group's share in the net income of UBP and assessed the disclosures on the investment in associate in the consolidated financial statements.

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Consolidation Process

As disclosed in Note 2 to the consolidated financial statements, AEV owns a significant number of domestic and foreign entities at varying equity interests. We considered the consolidation process as a key audit matter because it required significant auditor attention, particularly on the following areas: (a) fair value adjustments arising from business combinations, (b) numerous intercompany transactions, (c) alignment of accounting policies of the investees with the Group's policy on property, plant and equipment and investment properties, (d) translation of investees' foreign-currency-denominated financial information to the Group's functional currency and (e) other equity adjustments. The Group's disclosure on the basis of consolidation and business segment information are in Notes 3 and 33 to the consolidated financial statements.

Audit Response
We obtained an understanding of the consolidation process and the related controls, the Group's process for identifying related parties and related party transactions, as well as the reconciliation of intercompany balances. We also checked the entities included in the consolidation. We reviewed the eliminating entries recorded, including fair value adjustments. In addition, we reviewed the currency translation adjustments, as well as the alignment of accounting policies on property, plant and equipment and investment properties.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Leovina Mae V. Chu.

SYCIP GORRES VELAYO & CO.

Leovina Mae V. Chu

Leovina Mae V. Chu
Partner
CPA Certificate No. 99910
SEC Accreditation No. 1199-AR-1 (Group A),
June 22, 2015, valid until June 21, 2018
Tax Identification No. 209-316-911
BIR Accreditation No. 08-001998-96-2015
January 5, 2015, valid until January 4, 2018
PTR No. 5908776, January 3, 2017, Makati City

March 7, 2017

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BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Aboitiz Equity Ventures, Inc.

Opinion

We have audited the consolidated financial statements of Aboitiz Equity Ventures, Inc. and its subsidiaries (the Group), which comprise the consolidated balance sheets as at December 31, 2016 and 2015, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2016 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters.

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Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Accounting for Business Combinations: Acquisition of GNPower Mariveles Coal Plant Ltd. Co. (GMCP) and GNPower Dinginin Ltd. Co. (GNPD)

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Philippine Financial Reporting Standards (PFRS) 3, *Business Combinations*, allows the fair value of assets acquired to be continually refined for a period of one year after the acquisition date in cases where judgment is required to ensure the adjustments made reflect new information obtained about facts and circumstances that existed as of acquisition date. As of December 31, 2016, the accounting for this business combination was provisionally determined.

Audit Response
We obtained an understanding of the transaction through discussions with management and our review of the Purchase and Sale Agreement. We also reviewed management's accounting for the business acquisition, including the provisional purchase price allocation and goodwill, and the assessment of control in accordance with PFRS 3, *Business Combinations*, and PFRS 10, *Consolidated Financial Statements*. We evaluated management's assessment of the acquisition date and performed procedures to check the results of operations commencing from the acquisition date. We also evaluated the presentation and the disclosure of the transaction in the consolidated financial statements.

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Audit response
We reviewed the sale/purchase agreement covering the acquisition and evaluated the payment of the purchase price to the sellers. We also involved our internal specialist in reviewing the valuation methodologies and assumptions used in valuing acquired assets, including the fair value of the previously-held interest. We then compared the key assumptions used in the provisional purchase price allocation against historical trends and external data.

Revenue Recognition of Distribution Utilities

The Group's revenue from the sale of electricity accounts for 38% of the Group's consolidated revenue and is material to the Group. This matter is significant to the audit because the revenue recognized depends on the electric consumption captured, the rates applied across different customers and the systems involved in the billing process. Electric consumption captured is based on the meter readings taken on various dates for the different types of customers (i.e., industrial, commercial, and residential customers) within the franchise areas of operations of the distribution utilities. Disclosures related to this matter are provided in Notes 3 and 25 of the consolidated financial statements.

Audit Response
We obtained an understanding and evaluated the design and tested the controls over the billing and revenue process which includes the capture and accumulation of meter data in the billing system and calculation of billed amounts, and uploading of billed amounts from the billing system to the financial reporting system. We performed a test calculation of the rates using the Energy Regulatory Commission-approved rates and formulae, then compared them with the rates used in billing statements.

Accounting for Investment in an Associated Company

Aboitiz Equity Ventures, Inc. (AEV) exercises significant influence over Union Bank of the Philippines (UBP), a universal bank publicly listed in the Philippine Stock Exchange. AEV's investment in UBP is accounted for under the equity method. UBP's income is significantly affected by the level of provisioning of its loans and receivables, which requires significant management judgment. The Group's disclosure on investments in associates is in Note 10 to the consolidated financial statements.

Audit Response
Our audit procedures included, among other things, requesting the statutory auditor of UBP to perform an audit on the relevant financial information of UBP for the purpose of the consolidated financial statements of the Group. We met with the statutory auditor of UBP and discussed the risk assessment, audit strategy and significant developments in UBP. We also performed a review of the working papers at the statutory auditor's office, which included a review of the loans and receivables of UBP including the inputs and assumptions for specific and collective impairment assessment. We recomputed the Group's share in the net income of UBP and assessed the disclosures on the investment in associate in the consolidated financial statements.

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Consolidation Process

As disclosed in Note 2 to the consolidated financial statements, AEV owns a significant number of domestic and foreign entities at varying equity interests. We considered the consolidation process as a key audit matter because it required significant auditor attention, particularly on the following areas: (a) fair value adjustments arising from business combinations, (b) numerous intercompany transactions, (c) alignment of accounting policies of the investees with the Group's policy on property, plant and equipment and investment properties, (d) translation of investees' foreign-currency-denominated financial information to the Group's functional currency and (e) other equity adjustments. The Group's disclosure on the basis of consolidation and business segment information are in Notes 3 and 33 to the consolidated financial statements.

Audit Response
We obtained an understanding of the consolidation process and the related controls, the Group's process for identifying related parties and related party transactions, as well as the reconciliation of intercompany balances. We also checked the entities included in the consolidation. We reviewed the eliminating entries recorded, including fair value adjustments. In addition, we reviewed the currency translation adjustments, as well as the alignment of accounting policies on property, plant and equipment and investment properties.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Leovina Mae V. Chu.

SYCIP GORRES VELAYO & CO.

Leovina Mae V. Chu

Leovina Mae V. Chu
Partner
CPA Certificate No. 99910
SEC Accreditation No. 1199-AR-1 (Group A),
June 22, 2015, valid until June 21, 2018
Tax Identification No. 209-316-911
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January 5, 2015, valid until January 4, 2018
PTR No. 5908776, January 3, 2017, Makati City

March 7, 2017

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SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

The Board of Directors and Stockholders
Aboitiz Equity Ventures, Inc.
32nd Street, Bonifacio Global City
Taguig City, Metro Manila
Philippines

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Aboitiz Equity Ventures, Inc. and Subsidiaries included in this Form 17-A and have issued our report thereon dated March 7, 2017. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Securities Regulation Code Rule 68, as amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Leovina Mae V. Chu

Leovina Mae V. Chu
Partner
CPA Certificate No. 99910
SEC Accreditation No. 1199-AR-1 (Group A),
June 22, 2015, valid until June 21, 2018
Tax Identification No. 209-316-911
BIR Accreditation No. 08-001998-96-2015
January 5, 2015, valid until January 4, 2018
PTR No. 5908776, January 3, 2017, Makati City

March 7, 2017

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Amounts in Thousands)

	December 31	
	2016	2015
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱63,857,528**	₱63,581,884
Trade and other receivables (Note 5)	**21,732,203**	18,828,936
Inventories (Note 6)	**10,221,448**	7,945,304
Derivative asset (Note 36)	**188,417**	185,283
Other current assets (Notes 7 and 8)	**9,579,230**	6,492,012
Total Current Assets	**105,578,826**	97,033,419
Noncurrent Assets		
Property, plant and equipment (Notes 13 and 19)	**201,894,769**	143,997,702
Investments and advances (Note 10)	**86,950,461**	73,435,061
Investment properties (Notes 14 and 29)	**5,372,390**	5,183,780
Intangible asset - service concession rights (Note 15)	**3,222,123**	3,226,536
Land and improvements (Note 13)	**3,525,381**	2,960,646
Goodwill (Notes 9 and 12)	**38,174,105**	2,073,972
Deferred income tax assets (Note 31)	**2,207,259**	699,549
Trade receivables - net of current portion (Note 5)	**277,771**	224,395
Derivative asset - net of current portion (Note 36)	**977,769**	378,083
Available-for-sale (AFS) investments (Note 3)	**563,748**	367,716
Net pension assets (Note 30)	**115,264**	106,621
Other noncurrent assets (Notes 8 and 16)	**15,217,185**	10,430,383
Total Noncurrent Assets	**358,498,225**	243,084,444
TOTAL ASSETS	**₱464,077,051**	₱340,117,863
LIABILITIES AND EQUITY		
Current Liabilities		
Bank loans (Note 17)	**₱8,259,028**	₱8,883,056
Trade and other payables (Notes 18, 34 and 38)	**22,210,909**	18,565,557
Derivative liability (Note 36)	**127,442**	–
Current portions of:		
Long-term debts (Note 19)	**7,698,261**	3,133,346
Long-term obligation on Power Distribution System (PDS) (Note 15)	**40,000**	40,000
Obligations under finance lease (Notes 13 and 22)	**2,968,491**	2,583,754
Income tax payable	**685,215**	957,497
Total Current Liabilities	**41,989,346**	34,163,210

(Forward)

	December 31	
	2016	2015
Noncurrent Liabilities		
Noncurrent portions of:		
Obligations under finance lease (Notes 13 and 22)	**₱49,371,713**	₱51,085,100
Long-term debts (Note 19)	**187,533,762**	95,414,386
Long-term obligations on PDS (Note 15)	**197,248**	207,184
Trade payables (Notes 18 and 34)	**578,892**	302,202
Derivative liability - net of current portion (Note 36)	**233,435**	–
Customers' deposits (Note 20)	**7,040,347**	6,581,459
Asset retirement obligation (Note 21)	**1,821,577**	3,016,528
Deferred income tax liabilities (Note 31)	**1,567,411**	1,607,906
Net pension liability (Note 30)	**347,699**	755,446
Total Noncurrent Liabilities	**248,692,084**	158,970,211
Total Liabilities	**290,681,430**	193,133,421
Equity Attributable to Equity Holders of the Parent		
Capital stock (Note 23)	**5,694,600**	5,694,600
Additional paid-in capital (Note 23)	**13,013,197**	7,683,568
Other equity reserves:		
Gain on dilution (Note 2)	**5,376,176**	5,376,176
Excess of book value over acquisition cost of an acquired subsidiary (Note 9)	**469,540**	469,540
Acquisition of non-controlling interests (Note 2)	**(1,577,075)**	(1,577,075)
Accumulated other comprehensive income:		
Net unrealized mark-to-market gains on AFS investments	**9,106**	14,188
Cumulative translation adjustments (Note 36)	**34,262**	176,379
Actuarial losses on defined benefit plans (Note 30)	**(783,891)**	(795,967)
Share in actuarial losses on defined benefit plans of associates and joint ventures (Note 10)	**(513,132)**	(334,456)
Share in cumulative translation adjustments of associates and joint ventures (Note 10)	**(95,378)**	(193,921)
Share in net unrealized mark-to-market losses on AFS investments of associates (Note 10)	**(3,938,424)**	(3,748,731)
Retained earnings (Note 24)		
Appropriated	**2,717,000**	–
Unappropriated	**120,390,178**	106,521,242
Treasury stock at cost (Note 23)	**(521,132)**	(1,065,585)
	140,275,027	118,219,958
Non-controlling Interests	**33,120,594**	28,764,484
Total Equity	**173,395,621**	146,984,442
TOTAL LIABILITIES AND EQUITY	**₱464,077,051**	₱340,117,863

See accompanying Notes to Consolidated Financial Statements.

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Amounts in Thousands, Except Earnings Per Share Amounts)

	Years Ended December 31		
	2016	2015	2014
REVENUES			
Sale of:			
Power and electricity (Note 25)	**₱88,585,890**	₱84,874,038	₱86,136,648
Goods	**21,848,393**	20,982,378	17,862,179
Real estate (Notes 13 and 25)	**2,440,854**	2,732,878	3,267,741
Fair value of swine (Note 8)	**1,854,053**	1,786,095	1,878,236
Service fees (Note 38)	**1,453,336**	827,222	252,028
Others (Note 34)	**232,554**	57,357	470,458
	116,415,080	111,259,968	109,867,290
COSTS AND EXPENSES			
Cost of generated and purchased power (Notes 6, 26, 27 and 38)	**46,226,259**	46,426,239	50,870,515
Cost of goods sold (Notes 6 and 27)	**18,886,189**	18,011,108	14,722,760
Operating expenses (Notes 27, 34, 38 and 39)	**21,187,182**	17,972,039	17,383,920
Cost of real estate sales (Note 6)	**1,084,740**	1,328,650	2,235,576
Overhead expenses (Note 27)	**109,671**	103,532	108,789
	87,494,041	83,841,568	85,321,560
OPERATING PROFIT	**28,921,039**	27,418,400	24,545,730
Share in net earnings of associates and joint ventures (Note 10)	**9,651,787**	6,589,452	7,244,241
Interest expense (Notes 22 and 35)	**(9,567,997)**	(7,881,566)	(6,696,445)
Interest income (Notes 4, 34 and 35)	**1,436,933**	1,132,001	591,136
Other income - net (Notes 5, 29 and 34)	**2,501,026**	224,010	1,906,530
INCOME BEFORE INCOME TAX	**32,942,788**	27,482,297	27,591,192
PROVISION FOR INCOME TAX (Note 31)	**4,289,663**	4,324,819	4,026,326
NET INCOME	**₱28,653,125**	₱23,157,478	₱23,564,866
ATTRIBUTABLE TO:			
Equity holders of the parent	**₱22,473,458**	₱17,679,116	₱18,380,620
Non-controlling interests	**6,179,667**	5,478,362	5,184,246
	₱28,653,125	₱23,157,478	₱23,564,866
EARNINGS PER SHARE (Note 32)			
Basic and diluted, for net income for the year attributable to ordinary equity holders of the parent	**₱4.017**	₱3.184	₱3.324

See accompanying Notes to Consolidated Financial Statements.

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	Years Ended December 31		
	2016	2015	2014
NET INCOME ATTRIBUTABLE TO:			
Equity holders of the parent	**₱22,473,458**	₱17,679,116	₱18,380,620
Non-controlling interests	**6,179,667**	5,478,362	5,184,246
	28,653,125	23,157,478	23,564,866
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified to consolidated statements of income:			
Movement in net unrealized mark-to-market gains (losses) on AFS investments	**(5,848)**	(439)	1,405
Movement in cumulative translation adjustments, net of tax	**(203,067)**	174,906	64,539
Share in movement in cumulative translation adjustments of associates and joint ventures (Note 10)	**128,173**	119,113	13,068
Share in movement in net unrealized mark-to-market gains (losses) on AFS investments of associates (Note 10)	**(189,693)**	(2,245,010)	1,914,372
	(270,435)	(1,951,430)	1,993,384
Items that will not be reclassified to consolidated statements of income:			
Movement in actuarial gains (losses) on defined benefit plans, net of tax	**12,076**	(87,519)	149,154
Share in movement in actuarial losses on defined benefit plans of associates and joint ventures, net of tax	**(178,244)**	(8,751)	(172,593)
	(166,168)	(96,270)	(23,439)
TOTAL COMPREHENSIVE INCOME	**₱28,216,522**	₱21,109,778	₱25,534,811
ATTRIBUTABLE TO:			
Equity holders of the parent	**₱22,068,509**	₱15,543,938	₱20,353,550
Non-controlling interests	**6,148,013**	5,565,840	5,181,261
	₱28,216,522	₱21,109,778	₱25,534,811

See accompanying Notes to Consolidated Financial Statements.

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014

(Amounts in Thousands, Except Dividends Per Share Amounts)

	Attributable to equity holders of the parent																
												Retained Earnings					
	Capital Stock: Common (Note 23)	Additional Paid-in Capital (Note 23)	Gain on Dilution (Note 2)	Excess of Book Value Over Acquisition Cost of an Acquired Subsidiary (Note 9)	Acquisition of Non-controlling Interest (Note 2)	Net Unrealized Mark-to-Market Gains on AFS Investments	Cumulative Translation Adjustment (Note 36)	Actuarial Losses on Defined Benefit Plans, net of tax (Note 30)	Share in Actuarial Losses on Defined Benefit Plans of Associates and Joint Ventures (Note 10)	Share in Cumulative Translation Adjustments of Associates and Joint Ventures (Note 10)	Share in Net Unrealized Mark to-Market Losses on AFS Investments of Associates (Note 10)	Appropriated (Note 24)	Unappropriated (Note 24)	Treasury Stock (Note 23)	Total	Non-controlling Interest	Total
Balances at January 1, 2016	₱5,694,600	₱7,683,568	₱5,376,176	₱469,540	(₱1,577,075)	₱14,188	₱176,379	(₱795,967)	(₱334,456)	(₱193,921)	(₱3,748,731)	₱–	₱106,521,242	(₱1,065,585)	₱118,219,958	₱28,764,484	₱146,984,442
Net income for the year	–	–	–	–	–	–	–	–	–	–	–	–	22,473,458	–	22,473,458	6,179,667	28,653,125
Other comprehensive income																	
Movement of net unrealized mark-to-market losses on AFS investments	–	–	–	–	–	(5,082)	–	–	–	–	–	–	–	–	(5,082)	(766)	(5,848)
Movement in cumulative translation adjustments	–	–	–	–	–	–	(142,117)	–	–	–	–	–	–	–	(142,117)	(60,950)	(203,067)
Actuarial gains on defined benefit plans, net of tax	–	–	–	–	–	–	–	12,076	–	–	–	–	–	–	12,076	–	12,076
Share in movement in actuarial losses on defined benefit plan of associates and joint ventures	–	–	–	–	–	–	–	–	(178,676)	–	–	–	–	–	(178,676)	432	(178,244)
Share in cumulative translation adjustment of associates and joint ventures	–	–	–	–	–	–	–	–	–	98,543	–	–	–	–	98,543	29,630	128,173
Share in movement in unrealized mark-to-market losses on AFS investments of associates	–	–	–	–	–	–	–	–	–	–	(189,693)	–	–	–	(189,693)	–	(189,693)
Total comprehensive income (loss) for the year	–	–	–	–	–	(5,082)	(142,117)	12,076	(178,676)	98,543	(189,693)	–	22,473,458	–	22,068,509	6,148,013	28,216,522
Cash dividends - ₱1.06 per share (Note 24)	–	–	–	–	–	–	–	–	–	–	–		(5,887,522)	–	(5,887,522)	–	(5,887,522)
Appropriation during the year	–	–	–	–	–	–	–	–	–	–	–	2,717,000	(2,717,000)	–	–	–	–
Cash dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(4,456,950)	(4,456,950)
Sale of treasury shares	–	5,329,629	–	–		–	–	–	–	–	–	–	–	544,453	5,874,082	–	5,874,082
Changes in non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	2,665,047	2,665,047
Balances at December 31, 2016	₱5,694,600	₱13,013,197	₱5,376,176	₱469,540	(₱1,577,075)	₱9,106	₱34,262	(₱783,891)	(₱513,132)	(₱95,378)	(₱3,938,424)	₱2,717,000	₱120,390,178	(₱521,132)	₱140,275,027	₱33,120,594	₱173,395,621

	Attributable to equity holders of the parent															
	Capital Stock: Common (Note 23)	Additional Paid-in Capital (Note 23)	Gain on Dilution (Note 2)	Excess of Book Value Over Acquisition Cost of an Acquired Subsidiary (Note 9)	Acquisition of Non-controlling Interest (Note 2)	Net Unrealized Mark-to-Market Gains on AFS Investments	Cumulative Translation Adjustment (Note 36)	Actuarial Losses on Defined Benefit Plans, net of tax (Note 30)	Share in Actuarial Losses on Defined Benefit Plans of Associates and Joint Ventures (Note 10)	Share in Cumulative Translation Adjustments of Associates and Joint Ventures (Note 10)	Share in Net Unrealized Mark to-Market Losses on AFS Investments of Associates (Note 10)	Retained Earnings (Note 24)	Treasury Stock (Note 23)	Total	Non-controlling Interest	Total
Balances at January 1, 2015	₱5,694,600	₱6,911,044	₱5,376,176	₱469,540	(₱1,577,075)	₱14,627	₱35,533	(₱708,448)	(₱315,444)	(₱277,293)	(₱1,496,305)	₱94,995,596	(₱1,178,397)	₱107,944,154	₱26,990,810	₱134,934,964
Net income for the year	–	–	–	–	–	–	–	–	–	–	–	17,679,116	–	17,679,116	5,478,362	23,157,478
Other comprehensive income																
Movement of net unrealized mark-to-market losses on AFS investments	–	–	–	–	–	(439)	–	–	–	–	–	–	–	(439)	–	(439)
Movement in cumulative translation adjustments	–	–	–	–	–	–	140,846	–	–	–	–	–	–	140,846	34,060	174,906
Actuarial losses on defined benefit plans, net of tax	–	–	–	–	–	–	–	(87,519)	–	–	–	–	–	(87,519)	–	(87,519)
Share in movement in actuarial losses on defined benefit plan of associates and joint ventures	–	–	–	–	–	–	–	–	(19,012)	–	–	–	–	(19,012)	10,261	(8,751)
Share in cumulative translation adjustment of associates and joint ventures	–	–	–	–	–	–	–	–	–	83,372	–	–	–	83,372	35,741	119,113
Share in movement in unrealized mark-to-market losses on AFS investments of associates	–	–	–	–	–	–	–	–	–	–	(2,252,426)	–	–	(2,252,426)	7,416	(2,245,010)
Total comprehensive income (loss) for the year	–	–	–	–	–	(439)	140,846	(87,519)	(19,012)	83,372	(2,252,426)	17,679,116	–	15,543,938	5,565,840	21,109,778
Cash dividends - ₱1.11 per share (Note 24)	–	–	–	–	–	–	–	–	–	–	–	(6,153,470)	–	(6,153,470)	–	(6,153,470)
Cash dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(4,243,450)	(4,243,450)
Sale of treasury shares	–	772,524	–	–		–	–	–	–	–	–	–	112,812	885,336	–	885,336
Changes in non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	–	451,284	451,284
Balances at December 31, 2015	₱5,694,600	₱7,683,568	₱5,376,176	₱469,540	(₱1,577,075)	₱14,188	₱176,379	(₱795,967)	(₱334,456)	(₱193,921)	(₱3,748,731)	₱106,521,242	(₱1,065,585)	₱118,219,958	₱28,764,484	₱146,984,442

	Attributable to equity holders of the parent															
	Capital Stock: Common (Note 23)	Additional Paid-in Capital (Note 23)	Gain on Dilution (Note 2)	Excess of Book Value Over Acquisition Cost of an Acquired Subsidiary (Note 9)	Acquisition of Non-controlling Interest (Note 2)	Net Unrealized Mark-to-Market Gains on AFS Investments	Cumulative Translation Adjustment (Note 36)	Actuarial Losses on Defined Benefit Plans, net of tax (Note 30)	Share in Actuarial Losses on Defined Benefit Plans of Associates and Joint Ventures (Note 10)	Share in Cumulative Translation Adjustments of Associates and Joint Ventures (Note 10)	Share in Net Unrealized Mark to-Market Losses on AFS Investments of Associates (Note 10)	Retained Earnings (Note 24)	Treasury Stock (Note 23)	Total	Non-controlling Interest	Total
Balances at January 1, 2014	₱5,694,600	₱6,110,957	₱5,376,176	₱469,540	(₱1,262,862)	₱7,881	(₱14,534)	(₱857,602)	(₱156,925)	(₱295,546)	(₱3,403,534)	₱86,554,345	(₱1,295,163)	₱96,927,333	₱25,622,139	₱122,549,472
Net income for the year	–	–	–	–	–	–	–	–	–	–	–	18,380,620	–	18,380,620	5,184,246	23,564,866
Other comprehensive income																
Movement of net unrealized mark-to-market gains on AFS investments	–	–	–	–	–	6,746	–	–	–	–	–	–	–	6,746	(5,341)	1,405
Movement in cumulative translation adjustments	–	–	–	–	–	–	50,067	–	–	–	–	–	–	50,067	14,472	64,539
Actuarial gains on defined benefit plans, net of tax	–	–	–	–	–	–	–	149,154	–	–	–	–	–	149,154	–	149,154
Share in movement in actuarial losses on defined benefit plan of associates and joint ventures	–	–	–	–	–	–	–	–	(158,519)	–	–	–	–	(158,519)	(14,074)	(172,593)
Share in cumulative translation adjustment of associates and joint ventures	–	–	–	–	–	–	–	–	–	18,253	–	–	–	18,253	(5,185)	13,068
Share in movement in unrealized mark-to-market gains on AFS investments of associates	–	–	–	–	–	–	–	–	–	–	1,907,229	–	–	1,907,229	7,143	1,914,372
Total comprehensive income (loss) for the year	–	–	–	–	–	6,746	50,067	149,154	(158,519)	18,253	1,907,229	18,380,620	–	20,353,550	5,181,261	25,534,811
Excess of acquisition cost over carrying value of non-controlling interests (Note 2)	–	–	–	–	(314,213)	–	–	–	–	–	–	–	–	(314,213)	–	(314,213)
Cash dividends - ₱1.80 per share (Note 24)	–	–	–	–	–	–	–	–	–	–	–	(9,939,369)	–	(9,939,369)	–	(9,939,369)
Cash dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(3,752,913)	(3,752,913)
Sale of treasury shares	–	800,087	–	–		–	–	–	–	–	–	–	116,766	916,853	–	916,853
Changes in non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(59,677)	(59,677)
Balances at December 31, 2014	₱5,694,600	₱6,911,044	₱5,376,176	₱469,540	(₱1,577,075)	₱14,627	₱35,533	(₱708,448)	(₱315,444)	(₱277,293)	(₱1,496,305)	₱94,995,596	(₱1,178,397)	₱107,944,154	₱26,990,810	₱134,934,964

See accompanying Notes to Consolidated Financial Statements.

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Years Ended December 31		
	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱32,942,788**	₱27,482,297	₱27,591,192
Adjustments for:			
Interest expense (Note 35)	**9,567,997**	7,881,566	6,696,445
Depreciation and amortization (Note 27)	**6,829,395**	4,956,308	5,160,897
Net unrealized foreign exchange losses	**1,532,081**	1,392,912	188,901
Provision for decline in value of project costs and various assets	**372,828**	138,553	64,677
Write-off of goodwill on investment (Note 12)	**169,469**	–	–
Unrealized mark-to-market losses (gains) on derivatives	**3,316**	(317,645)	897
Provision for impairment loss on investments and advances (Note 10)	–	13,937	2,834
Dividend income (Note 29)	**(250)**	(1,810)	(89)
Loss (gain) on sale of:			
Property, plant and equipment (Note 13)	**(50,125)**	71,402	(15,958)
AFS investments (Note 3)	**(25,105)**	–	23
Investment in subsidiary and associate (Notes 9 and 10)	**(16,051)**	–	(638,878)
Net unrealized valuation gain on investment property (Notes 14 and 29)	**(166,476)**	(186,512)	(5,001)
Unrealized excess of fair value over historical acquisition cost (Notes 9 and 29)	**(350,939)**	–	–
Interest income	**(1,436,933)**	(1,132,001)	(591,136)
Share in net earnings of associates and joint ventures (Note 10)	**(9,651,787)**	(6,589,452)	(7,244,241)
Operating income before working capital changes	**39,720,208**	33,709,555	31,210,563
Decrease (increase) in:			
Trade and other receivables	**(894,679)**	(499,797)	(5,034)
Inventories	**(810,917)**	(638,947)	1,514,708
Pension asset	–	24,942	–
Other current assets	**(1,559,481)**	(2,669,217)	(560,495)
Increase (decrease) in:			
Trade and other payables (Note 9)	**(24,234)**	351,764	(2,600,976)
Pension liability	**(59,559)**	123,329	–
Long-term obligation on PDS	–	(40,000)	(40,000)
Customers' deposits	**510,517**	953,714	605,996
Net cash generated from operations	**36,881,855**	31,315,343	30,124,762
Income and final taxes paid	**(4,868,433)**	(4,056,356)	(3,020,302)
Net cash flows from operating activities	**32,013,422**	27,258,987	27,104,460
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash dividends received (Note 10)	**8,608,988**	5,126,894	5,957,286
Interest received	**1,472,936**	1,123,646	506,094
Proceeds from sale of common shares and redemption of preferred shares of associates and joint ventures (Note 10)	**51,976**	2,649,204	637,732
Proceeds from sale of:			
AFS investments	**37,155**	214,555	456
Property, plant and equipment	**168,381**	145,378	25,176

(Forward)

	Years Ended December 31		
	2016	2015	2014
Acquisition through business combination, net of cash acquired (Note 9)	**(₱44,572,591)**	₱101,374	(₱1,229,760)
Disposal of a subsidiary, net of cash disposed (Note 9)	–	–	254,343
Additions to:			
AFS investments	**(213,931)**	–	(1,173)
Land and improvements (Note 13)	**(438,962)**	(685,642)	(200,083)
Property, plant and equipment and investment properties (Notes 13 and 14)	**(31,024,798)**	(19,514,009)	(16,651,075)
Investments in and advances to associates (Note 10)	**(12,408,168)**	(24,229,823)	(1,400,685)
Increase in intangible asset - service concession rights (Note 15)	**(45,875)**	(20,046)	(36,286)
Increase in other noncurrent assets	**(6,303,485)**	(1,504,063)	(2,285,272)
Net cash flows used in investing activities	**(84,668,374)**	(36,592,532)	(14,423,247)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of long-term debts - net of transaction costs (Note 19)	**74,674,514**	44,494,653	22,788,325
Net proceeds from (settlements of) bank loans	**(625,532)**	1,055,647	3,666,100
Proceeds from issuance of treasury shares (Note 23)	**5,874,083**	885,336	916,853
Acquisition of non-controlling interests (Note 9)	–	–	(1,010,045)
Interest paid	**(5,002,512)**	(3,350,218)	(2,033,042)
Cash dividends paid and other changes to non-controlling interest	**(4,434,075)**	(4,243,450)	(3,752,913)
Cash dividends paid to equity holders of the parent (Note 24)	**(5,887,523)**	(6,153,470)	(9,939,369)
Payments of:			
Long-term debts (Note 19)	**(4,232,593)**	(2,813,140)	(2,002,259)
Obligations under finance lease (Note 21)	**(7,517,917)**	(7,482,447)	(6,970,625)
Net cash flows from financing activities	**52,848,445**	22,392,911	1,663,025
NET INCREASE IN CASH AND CASH EQUIVALENTS	**193,493**	13,059,366	14,344,238
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**82,151**	40,952	19,138
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**63,581,884**	50,481,566	36,118,190
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱63,857,528**	₱63,581,884	₱50,481,566

See accompanying Notes to Consolidated Financial Statements.

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Thousands, Except Par Value, Earnings Per Share, Number of Shares, and When Otherwise Indicated)

1. Corporate Information

Aboitiz Equity Ventures, Inc. (the Company) was originally incorporated in the Philippines as Cebu Pan Asian Holdings, Inc. and registered with the Securities and Exchange Commission on September 11, 1989. The Company changed its corporate name to the present one on December 29, 1993 and its ownership was opened to the general public through an initial public offering of its shares on November 16, 1994 (see Note 23).

The Company and its subsidiaries (collectively referred to as the "Group") are engaged in various business activities mainly in the Philippines, including power generation and distribution, food manufacturing, banking and financial services, real estate development, and infrastructure (see Note 33). The Company is the publicly-listed holding and management company of the Group. The parent and the ultimate parent of the Company is Aboitiz & Company, Inc. (ACO).

The registered office address of the Company is 32nd Street, Bonifacio Global City, Taguig City, Metro Manila, Philippines.

The consolidated financial statements of the Group were approved and authorized for issue in accordance with a resolution by the Board of Directors (BOD) of the Company on March 7, 2017.

2. Basis of Preparation, Statement of Compliance and Summary of Significant Accounting Policies

<u>Basis of Preparation</u>
The accompanying consolidated financial statements of the Group have been prepared on a historical cost basis, except for derivative financial instruments, quoted AFS investments and investment properties which are measured at fair value, and agricultural produce and biological assets which are measured at fair value less estimated costs to sell. The consolidated financial statements are presented in Philippine peso, which is the Company's functional currency, and all values are rounded to the nearest thousands, except for earnings per share and exchange rates and as otherwise indicated.

<u>Statement of Compliance</u>
The consolidated financial statements of the Group are prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

<u>Changes in Accounting Policies and Disclosures</u>
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, 2016. These new and revised standards and interpretations did not have any significant impact on the Group's financial statements:

- Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 28, *Investments in Associates and Joint Ventures*, *Investment Entities: Applying the Consolidation Exception*
  The amendments clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value. They also clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity parent is consolidated. The amendments also allow an investor (that is not an investment entity and has an investment entity associate or joint venture) to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries when applying the equity method.

  These amendments are not applicable to the Group since none of the entities within the Group is an investment entity nor does the Group have investment entity associates or joint ventures.

- Amendments to PFRS 11, *Joint Arrangements, Accounting for Acquisitions of Interests in Joint Operations*
  The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant PFRS 3, *Business Combination*, principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

  The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation.

  These amendments do not have any impact on the Group as there has been no interest acquired in a joint operation during the period.

- PFRS 14, *Regulatory Deferral Accounts*
  PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements.

  Since the Group is an existing PFRS preparer, this standard would not apply.

- Amendments to PAS 1*, Presentation of Financial Statements, Disclosure Initiative*
  The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRS. They clarify the following:

  a. That entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions
  b. That specific line items in the statement of income and other comprehensive income and the statement of financial position may be disaggregated
  c. That entities have flexibility as to the order in which they present the notes to the financial statements
  d. That the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

  These amendments do not have any impact to the Group.

- Amendments to PAS 16, *Property, Plant and Equipment* and PAS 38, *Intangible Assets*, *Clarification of Acceptable Methods of Depreciation and Amortization*
  The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.

  These amendments are applied prospectively and do not have any impact to the Group given that the Group has not used a revenue-based method to depreciate or amortize its property, plant and equipment and intangible assets.

- Amendments to PAS 16 and PAS 41, *Agriculture: Bearer Plants*
  The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply.

  The amendments are applied retrospectively and do not have any impact on the Group as the Group does not have any bearer plants.

- Amendments to PAS 27, *Separate Financial Statements*, *Equity Method in Separate Financial Statements*
  The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively.

  These amendments do not have any impact on the Group's consolidated financial statements.

- Annual Improvements to PFRSs (2012-2014 cycle)
  The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and do not have any material impact to the Group. They include:

  - Amendment to PFRS 5*, Noncurrent Assets Held for Sale and Discontinued Operations, Changes in Methods of Disposal*
    The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

  - Amendment to PFRS 7, *Financial Instruments: Disclosures, Servicing Contracts*
    PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

  - Amendment to PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
    This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

  - Amendment to PAS 19, *Employee Benefits, Discount Rate: Regional Market Issue*
    This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

- Amendment to PAS 34, *Interim Financial Reporting, Disclosure of Information 'Elsewhere in the Interim Financial Report'*
  The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

New Standards and Interpretation Issued and Effective after December 31, 2016
The Group will adopt the standards enumerated below when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRSs, PAS and Philippine Interpretations to have significant impact on its financial statements.

Effective January 1, 2017

- Amendment to PFRS 12, *Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRSs* 2014-2016 cycle)
  The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

- Amendments to PAS 7, *Statement of Cash Flows*, *Disclosure Initiative*
  The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted.

  Application of amendments will result in additional disclosures in the 2017 consolidated financial statements of the Group.

- Amendments to PAS 12, *Income Taxes*, *Recognition of Deferred Tax Assets for Unrealized Losses*
  The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

  Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted.

  These amendments are not expected to have any impact on the Group.

Effective January 1, 2018

- Amendments to PFRS 2, *Share-based Payment*, *Classification and Measurement of Share-based Payment Transactions*
  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

  On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

  These amendments will not be applicable to the Group since it has no share-based payment arrangements.

- Amendments to PFRS 4, *Insurance Contracts*, *Applying PFRS 9, Financial Instruments, with PFRS 4*
  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

  The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.

  These amendments will not have any significant impact on the Group's consolidated financial statements.

- PFRS 15*, Revenue from Contracts with Customers*
  PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

  The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018.

The Group will adopt PFRS 15 on January 1, 2018. The Group started its assessment of the impact of PFRS 15 in the fourth quarter of 2016 by attending briefings conducted for the Group and analyzing the different revenue streams of the various businesses in the Group. It will continue with the assessment during the second quarter of 2017 by performing in-depth review of representative contracts with customers and considering further interpretations and industry practices on certain provisions of PFRS 15.

- PFRS 9*, Financial Instruments*
  PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39*, Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

  The adoption of PFRS 9 will have an effect on the classification and measurement of and impairment methodology for the Group's financial assets, and on its application of hedge accounting and on the amount of its credit losses. However, it will have no impact on the classification and measurement of the Group's financial liabilities.

  The Group is currently assessing the impact of adopting this standard and expects that the adoption will not materially affect its consolidated financial statements.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs* 2014-2016 Cycle)
  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

  These amendments are not applicable to the Group since none of the entities within the Group is a venture capital organization or an investment entity, nor does the Group have investment entity associates or joint ventures.

- Amendments to PAS 40, *Investment Property*, *Transfers of Investment Property*
  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in

management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

These amendments will not have any significant impact on the Group's 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.

  These amendments will not have any significant impact on the Group's consolidated financial statements.

Effective January 1, 2019

- PFRS 16, *Leases*
  Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

  The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

  Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs.

  The Group is currently assessing the impact of PFRS 16 and plans to adopt the new standard on the required effective date.

Deferred effectivity

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Basis of Consolidation

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

			2016		2015	
	Nature of Business	Place of Incorporation	**Direct**	**Indirect**	Direct	Indirect
Aboitiz Power Coporation (AP)						
and Subsidiaries	Power	Philippines	**76.88%**	**–**	76.88%	–
Aboitiz Energy Solutions, Inc. (AESI)	Power	Philippines	**–**	**100.00**	–	100.00
Balamban Enerzone Corporation (BEZ)	Power	Philippines	**–**	**100.00**	–	100.00
Mactan Enerzone Corporation (MEZ)	Power	Philippines	**–**	**100.00**	–	100.00
East Asia Utilities Corporation (EAUC)	Power	Philippines	**–**	**100.00**	–	50.00
Lima Enerzone Corporation (LEZ)	Power	Philippines	**–**	**100.00**	–	100.00
Subic Enerzone Corporation (SEZ)	Power	Philippines	**–**	**100.00**	–	100.00
Cotabato Light & Power Co., Inc. (CLP)	Power	Philippines	**–**	**99.94**	–	99.94
Cotabato Ice Plant, Inc.	Manufacturing	Philippines	**–**	**100.00**	–	100.00
Davao Light & Power Co., Inc. (DLP)	Power	Philippines	**–**	**99.93**	–	99.93
Visayan Electric Co., Inc. (VECO)	Power	Philippines	**–**	**55.26**	–	55.26
Aboitiz Renewables Inc. (ARI) and						
Subsidiaries	Power	Philippines	**–**	**100.00**	–	100.00
AP Renewables, Inc. (APRI)	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor, Inc. (HI)	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Mt. Province, Inc.*	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Benguet, Inc.*	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Bukidnon, Inc.*	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Kabayan, Inc.*	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Cordillera, Inc.*	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Ifugao, Inc.*	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Kalinga, Inc. *	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Itogon, Inc.*	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Manolo Fortich, Inc.*	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Sabangan, Inc. (Hedcor Sabangan)	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Sibulan, Inc. (HIS)	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Tamugan, Inc. (HTI)*	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Tudaya, Inc. (Hedcor Tudaya)	Power	Philippines	**–**	**100.00**	–	100.00
Kookaburra Equity Ventures, Inc.	Holding	Philippines	**–**	**100.00**	–	100.00
Mt. Apo Geopower, Inc. *	Power	Philippines	**–**	**100.00**	–	100.00
Cleanergy, Inc. (CI)*	Power	Philippines	**–**	**100.00**	–	100.00
Hydro Electric Development Corporation	Power	Philippines	**–**	**99.97**	–	99.97

(Forward)

			2016		2015	
	Nature of Business	Place of Incorporation	**Direct**	**Indirect**	Direct	Indirect
Luzon Hydro Corporation (LHC)	Power	Philippines	–	**100.00**	–	100.00
Bakun Power Line Corporation*	Power	Philippines	–	**100.00**	–	100.00
AP Solar Tiwi, Inc.*	Power	Philippines	–	**100.00**	–	100.00
Aseagas Corporation (Aseagas)*	Power	Philippines	–	**100.00**	–	–
Cordillera Hydro Corporation (CHC)*	Power	Philippines	–	**100.00**	–	100.00
Negron Cuadrado Geopower, Inc. (NCGI)*	Power	Philippines	–	**100.00**	–	100.00
Tagoloan Hydro Corporation*	Power	Philippines	–	**100.00**	–	100.00
Luzon Hydro Company Limited*	Power	Philippines	–	**100.00**	–	100.00
Therma Power, Inc. (TPI) and Subsidiaries	Power	Philippines	–	**100.00**	–	100.00
Abovant Holdings, Inc.	Power	Philippines	–	**60.00**	–	60.00
Therma Power Visayas, Inc. *	Power	Philippines	–	**100.00**	–	100.00
Therma Luzon, Inc. (TLI)	Power	Philippines	–	**100.00**	–	100.00
Therma Marine, Inc. (Therma Marine)	Power	Philippines	–	**100.00**	–	100.00
Therma Mobile, Inc. (Therma Mobile)	Power	Philippines	–	**100.00**	–	100.00
Therma South, Inc. (TSI)	Power	Philippines	–	**100.00**	–	100.00
Therma Central Visayas, Inc. *	Power	Philippines	–	**100.00**	–	100.00
Therma Subic, Inc.*	Power	Philippines	–	**100.00**	–	100.00
Therma Mariveles Holdings L.P. (formerly World Power Holdings, L.P.)**	Holding	Cayman Islands	–	**100.00**	–	–
Therma Mariveles, LLC (formerly SG GNPower, LLC)**	Holding	United States	–	**100.00**	–	–
Therma Mariveles Consulting Services, LLC (formerly Sithe Global Consulting Services, LLC)**	Holding	United States	–	**100.00**	–	–
Therma Mariveles Holding Cooperatief U.A. (formerly SG Philippines Holding Cooperatief U.A.)**	Holding	Netherlands	–	**100.00**	–	–
Therma Mariveles B.V. (formerly Sithe Global Camaya B.V.)**	Holding	Netherlands	–	**100.00**	–	–
Therma Mariveles Holdings, Inc. **	Holding	Netherlands	–	**100.00**	–	–
GNPower Mariveles Coal Plant Ltd. Co. (GMCP) **	Power	Philippines	–	**82.82**	–	–
Therma Dinginin L.P. (formerly Sithe Global Power, L.P.)**	Holding	Cayman Islands	–	**100.00**	–	–
Therma Dinginin, LLC (formerly SG GNPD, LLC)**	Holding	United States	–	**100.00**	–	–
Therma Dinginin Offshore Services Inc. (formerly GNPD Offshore Services, Inc.)**	Holding	United States	–	**100.00**	–	–
Therma Dinginin Holding Cooperatief U.A. (formerly SG GNPD Holding Cooperatief U.A.)**	Holding	Netherlands	–	**100.00**	–	–
Therma Dinginin B.V. (formerly Sithe Global GNPD B.V.) **	Holding	Netherlands	–	**100.00**	–	–
Therma Dinginin Holdings, Inc. **	Holding	Philippines	–	**100.00**	–	–
Therma Visayas, Inc. (TVI)*	Power	Philippines	–	**80.00**	–	80.00
AboitizPower International Pte. Ltd.	Holding	Singapore	–	**100.00**	–	100.00
Adventenergy, Inc. (AI)	Power	Philippines	–	**100.00**	–	100.00
Cebu Private Power Corporation (CPPC)	Power	Philippines	–	**60.00**	–	60.00
Prism Energy, Inc. (PEI)*	Power	Philippines	–	**60.00**	–	60.00
Pilmico Foods Corporation (PILMICO) and Subsidiaries	Food manufacturing	Philippines	**100.00**	–	100.00	–
Filagri Holdings, Inc.	Holding	Philippines	–	**100.00**	–	100.00
Pilmico Animal Nutrition Corporation (PANC)	Food manufacturing	Philippines	–	**100.00**	–	100.00
Filagri, Inc.	Food manufacturing	Philippines	–	**100.00**	–	100.00
AboitizLand, Inc. (AboitizLand) and Subsidiaries	Real estate	Philippines	**100.00**	–	100.00	–
Cebu Industrial Park Developers, Inc. CIPDI)	Real estate	Philippines	–	**60.00**	–	60.00
Misamis Oriental Land Development, Inc. (MOLDC)	Real estate	Philippines	–	**60.00**	–	60.00
Propriedad del Norte, Inc. (PDNI)	Real estate	Philippines	–	**100.00**	–	100.00
Lima Land, Inc. (LLI) and Subsidiary	Real estate	Philippines	–	**100.00**	–	100.00
Lima Water Corporation (LWC)	Water	Philippines	–	**100.00**	–	100.00

(Forward)

	Nature of Business	Place of Incorporation	2016		2015	
			Direct	**Indirect**	Direct	Indirect
AEV International Pte. Ltd. (AEV International)	Holding	Singapore	**100.00**	–	100.00	–
Pilmico International Pte. Ltd. (Pilmico International)	Holding	Singapore	–	**100.00**	–	100.00
Pilmico VHF Joint Stock Company (Pilmico VHF)	Food manufacturing	Vietnam	–	**100.00**	–	100.00
Pilmico Viet Nam Trading Company, Ltd.	Trading	Vietnam	–	**100.00**	–	–
Archipelago Insurance Pte Ltd (AIPL)	Insurance	Singapore	**100.00**	–	100.00	–
Aseagas Corporation (Aseagas)*	Biogas Manufacturing	Philippines	–	**100.00**	100.00	–
AEV Aviation, Inc. (AEV Aviation)	Service	Philippines	**73.31**	**26.69**	73.31	26.69
AEV Properties, Inc.*	Real estate	Philippines	**100.00**	–	100.00	–
Cebu Praedia Development Corporation (CPDC)	Real estate	Philippines	**100.00**	–	100.00	–
PETNET, Inc. (PETNET)	Financial services	Philippines	**51.00**	–	51.00	–
Aboitiz Infracapital ,Inc.	Holding	Philippines	**100.00**	–	–	–
Apo Agua Infrastructura, Inc.*	Supply of treated bulk water	Philippines	**23.21**	46.79	70.00	–

**No commercial operations as of December 31, 2016 and December 31, 2015.*
*** Acquired as part of GNPower acquisition (see Note 9).*

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at December 31 of each year.

The Group controls an investee if and only if the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interests;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

Transactions with Non-controlling Interests
Non-controlling interests represent the portion of profit or loss and net assets in the subsidiaries not held by the Group and are presented separately in the consolidated statement of income and within equity in the consolidated balance sheet, separately from the equity attributable to equity holders of the parent. Transactions with non-controlling interests are accounted for as equity transactions. On acquisitions of non-controlling interests, the difference between the consideration and the book value of the share of the net assets acquired is reflected as being a transaction between owners and recognized directly in equity. Gain or loss on disposals to non-controlling interest is also recognized directly in equity.

Summary of Significant Accounting Policies

Fair Value Measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

The Group's valuation team (the Team) determines the policies and procedures for fair value measurement of its investment properties, and property, plant and equipment. External valuers (the Valuers) are involved in the periodic valuation of these assets. The respective subsidiary's Team decides the selection of the Valuers after discussion with and approval by its Chief Financial Officer (CFO). Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Team also determines, after discussions with the chosen valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the Team analyzes the movements in the values of the investment properties, and property, plant and equipment which are required to be re-measured or re-assessed in accordance with the subsidiary's accounting policies. The Team, in coordination with the Valuers, also compares each of the changes in the fair value of each property with relevant external sources to determine whether the change is reasonable.

On the re-appraisal year, the Team and Valuers present the valuation results and the major assumptions used in the valuation to its CFO.

<u>Cash and Cash Equivalents</u>
Cash and cash equivalents in the consolidated balance sheet consist of cash on hand and with banks, and short-term, highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value. They are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Financial Instruments

Date of recognition

The Group recognizes a financial asset or a financial liability in the consolidated balance sheet on the date when it becomes a party to the contractual provisions of the instrument. All regular way purchases and sales of financial assets are recognized on trade date, which is the date that the Group commits to purchase the asset. Regular way purchases or sales of financial assets are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace. Derivatives are recognized on a trade date basis.

Initial recognition of financial instruments

All financial assets and financial liabilities are recognized initially at fair value. Except for financial assets at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments, and AFS investments. For financial liabilities, the Group also classifies them into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. The Group determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

"Day 1" difference

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in the consolidated statement of income unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference amount.

Financial assets and financial liabilities at FVPL

Financial assets and financial liabilities at FVPL include financial assets held for trading and financial assets designated upon initial recognition as FVPL.

Financial assets and financial liabilities are classified as held for trading if they are acquired for the purpose of selling and repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments in an effective hedge or a financial guarantee contract. Gains or losses on investments held for trading are recognized in the consolidated statement of income.

Financial assets and financial liabilities may be designated at initial recognition as at FVPL if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing the gains or losses on them on a different basis; or (ii) the assets and liabilities are part of a group of financial assets, liabilities or both which are managed and their performance evaluated on fair value basis, in accordance with a documented risk management strategy; or (iii) the financial instrument contains an embedded derivative that would need to be separately recorded. Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset or financial liabilities at FVPL, except when the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets and liabilities at FVPL are recorded in the consolidated balance sheet at fair value. Subsequent changes in fair value are recognized in the consolidated statement of income. Interest earned or incurred is recorded as interest income or expense, respectively, while dividend income is recorded as other income when the right to receive payment has been established.

Financial instruments included in this classification are the Group's derivative asset and derivative liability (see Note 36).

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not reclassified or designated as AFS investments or financial assets at FVPL. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest method less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate (EIR) and transaction costs. Gains and losses are recognized in the consolidated statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are included in current assets if maturity is within 12 months from the balance sheet date. Otherwise, they are classified as noncurrent assets.

Financial assets included in this classification are the Group's cash in banks and cash equivalents, trade and other receivables and restricted cash (see Note 36).

HTM investments
HTM investments are quoted non-derivative financial assets which carry fixed or determinable payments and fixed maturities and which the Group has the positive intention and ability to hold to maturity. After the initial measurement, held to maturity investments are measured at amortized cost. This cost is computed as the amount initially recognized less principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initially recognized amount and the maturity amount, less allowance for impairment. This calculation includes all fees and points paid or received between the parties to the contract that are integral part of the EIR, transaction costs and all other premiums and discounts. Where the Group sells other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified as AFS investments. Gains and losses are recognized in the consolidated statement of income when the investments are impaired, as well as through the amortization process.

As of December 31, 2016 and 2015, the Group has no HTM investments.

AFS investments
AFS financial investments include equity and debt securities. Equity investments classified as available-for sale are those which are neither classified as held for trading nor designated as at

FVPL. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions. They are included in noncurrent assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period. After initial recognition, AFS financial investments are measured at fair value with unrealized gains or losses being recognized in the other comprehensive income and in equity as “Net unrealized mark-to-market gains on AFS investments”. When the investment is disposed of, the cumulative gains or loss previously recorded in equity is recognized in the consolidated statement of income. The Group uses the specific identification method in determining the cost of securities sold. Interest earned or paid on the investments is reported as interest income or expense using the EIR. Interest earned on holding AFS investments are reported as “Interest income” using the effective interest method. Dividends earned on holding AFS investments are recognized in the consolidated statement of income as “Other income” when the right of payment had been established. The losses arising from impairment of such investments are recognized as “Provision for credit and impairment losses” in the consolidated statement of income. Unquoted equity securities are carried at cost, net of impairment.

The Group’s AFS investments as of December 31, 2016 and 2015 include investments in quoted and unquoted shares of stock (see Note 36).

Other financial liabilities
Financial liabilities are classified in this category if these are not held for trading or not designated as at FVPL upon the inception of liability. These include liabilities arising from operations or borrowings.

Other financial liabilities are initially recorded at fair value, less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized, as well as through the amortization process.

Included in other financial liabilities are the Group’s debt and other borrowings (bank loans and long-term debts), obligations under finance lease, trade and other payables, customers’ deposits, dividends payable, long-term obligation on PDS, payable to preferred shareholder of a subsidiary, and redeemable preferred shares (see Note 36).

<u>Impairment of Financial Assets</u>
The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if and only if, there is an objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred “loss event”) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables
For loans and receivables carried at amortized cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statement of income. Interest income continues to be accrued on the reduced carrying amount based on the original EIR of the financial asset. Loans and receivables together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent period, the amount of the impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or decreased by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Assets carried at cost
If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

AFS investments
In the case of equity investments classified as AFS, objective evidence of impairment would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of income) is removed from other comprehensive income and recognized in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income. Increases in fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as AFS, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on rate of interest used to discount future cash flows for measuring impairment loss. Such accrual is recorded as part of "Interest income" in the consolidated statement of income. If, in subsequent period, the fair value of a debt instrument increased and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

Derecognition of Financial Assets and Liabilities

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in consolidated statement of income.

Derivative Financial Instruments

Derivative financial instruments, including embedded derivatives, are initially recognized at fair value on the date in which a derivative transaction is entered into or bifurcated, and are subsequently re-measured at FVPL, unless designated as effective hedge. Changes in fair values of derivative instruments not accounted as hedges are recognized immediately in the consolidated statement of income. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The Group assesses whether embedded derivatives are required to be separated from host contracts when the Group first becomes party to the contract.

An embedded derivative is separated from the host financial or non-financial contract and accounted for as a derivative if all of the following conditions are met:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the hybrid or combined instrument is not recognized as at FVPL.

Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Embedded derivatives that are bifurcated from the host contracts are accounted for either as financial assets or financial liabilities at FVPL.

As of December 31, 2016 and 2015, the Group has freestanding derivatives in the form of deliverable and non-deliverable foreign currency forward contracts entered into to economically hedge its foreign currency risks (see Note 35). In 2013, the Group applied hedge accounting treatment on its derivative transactions.

<u>Offsetting Financial Instruments</u>
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is generally not the case with master netting agreements, and the related assets and liabilities are presented at gross in the consolidated balance sheet.

<u>Classification of Financial Instruments Between Liability and Equity</u>
Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

A financial instrument is classified as liability if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

Redeemable Preferred Shares (RPS)

The component of the RPS that exhibits characteristics of a liability is recognized as a liability in the consolidated balance sheet, net of transaction costs. The corresponding dividends on those shares are charged as interest expense in the consolidated statement of income. On issuance of the RPS, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortized cost basis until extinguished on redemption.

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Wheat grains and other raw materials	-	purchase cost on a first-in, first-out basis;
Finished goods and work in process	-	cost of direct materials, labor and a portion of manufacturing overhead based on normal operating capacity but excluding borrowing costs;
Fuel and lubricants	-	purchase cost on a first-in, first-out basis;
Materials, parts and supplies	-	purchase cost on a weighted average method

NRV of wheat grains and other raw materials, work in process and finished goods is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. NRV of fuel and lubricants and materials, parts and supplies is the current replacement costs.

Real estate inventories include land and condominium units, land and land improvements and residential lots for sale. Real estate inventories are carried at the lower of cost and NRV (i.e., estimated selling price less estimated costs to complete and sell). Cost includes costs incurred for the acquisition, development and improvement of the properties as well as the borrowing costs allowed to be capitalized.

Agricultural Activity

Agricultural produce

Agricultural produce (livestock and poultry) are measured at fair value less estimated costs to sell at point of harvest.

Biological assets

Biological assets are measured on initial recognition and at each balance sheet date at fair value less estimated costs to sell except when, on initial recognition, market-determined prices or values are not available and for which alternative estimates of fair value are determined to be clearly unreliable. In such cases, those biological assets are measured at accumulated costs less any accumulated depreciation and any accumulated impairment losses. Once the fair value of such biological assets becomes reliably measurable, those biological assets are measured at fair value less estimated costs to sell.

Gains or losses arising on initial recognition of a biological asset (for market hogs, piglets, growing stock, broilers and others) at fair value less estimated costs to sell and from changes in their fair values less estimated costs to sell are included in the consolidated statement of income for the period in which they arise.

Biological assets measured at fair value less estimated costs to sell continue to be measured as such until disposed. Expenditures on biological assets subsequent to initial recognition, excluding the costs of day-to-day servicing, are capitalized.

Investments in Associates and Joint Ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group’s investments in its associates and joint ventures are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group’s share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The consolidated statement of income reflects the Group’s share of the results of operations of the associate or joint venture. Any change in other comprehensive income of those investees is presented as part of the Group’s other comprehensive income. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group’s share of profit or loss of an associate and a joint venture is shown on the face of the consolidated statement of income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the loss in the consolidated statement of income.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Interest in Joint Operations

A joint arrangement is classified as a joint operation if the parties with joint control have rights to the assets and obligations for the liabilities of the arrangement. For interest in joint operations, the Group recognizes:

- assets, including its share of any assets held jointly;
- liabilities, including its share of any liabilities incurred jointly;
- revenue from the sale of its share of the output arising from the joint operation;
- share of the revenue from the sale of the output by the joint operation; and
- expenses, including its share of any expenses incurred jointly.

The accounting and measurement for each of these items is in accordance with the applicable PFRS.

Business Combination and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the noncontrolling interest in the acquiree pertaining to instruments that represent present ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree’s identifiable net assets. All other components of non-controlling interest are measured at fair value unless another measurement basis is required by PFRS. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with PAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the Group's interest in the fair values of the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of goodwill
Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized.

Common control business combination
Business combination of entities under common control is accounted for similar to pooling of interest method, which is scoped out of PFRS 3, *Business Combinations*. Under the pooling of interest method, any excess of acquisition cost over the net asset value of the acquired entity is recorded in equity.

Land and Improvements

Land and improvements consist of properties for future development and are carried at the lower of cost and NRV. NRV is the estimated selling price in the ordinary course of business, less estimated cost of completion and estimated costs necessary to make the sale. Cost includes those costs incurred for development and improvement of the properties. Cost of land and improvements is transferred to real estate inventories upon commencement of the real estate project.

Property, Plant and Equipment

Except for land, property, plant and equipment are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment in value. The initial cost of property, plant and equipment comprises its purchase price, including import duties, if any, and nonrefundable taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Cost includes the cost of replacing part of such property, plant and equipment when that cost is incurred and the recognition criteria are met. Repairs and maintenance costs are recognized in the consolidated statement of income as incurred.

Land is stated at cost less any accumulated impairment in value.

Construction in progress represents structures under construction and is stated at cost. This includes cost of construction and other direct costs. Borrowing costs that are directly attributable to the construction of property, plant and equipment are capitalized during the construction period.

Depreciation and amortization of the Group's property, plant and equipment and assets under finance leases is calculated on a straight-line basis over the useful lives of the assets as follows:

	Number of Years	
Category	**2016**	2015
Buildings, warehouses and improvements	**10 - 50**	10 - 40
Power plant and equipment	**2 - 50**	2 - 38
Transmission, distribution and substation equipment		
Power transformers	**30**	30
Poles and wires	**20 - 40**	20 - 40
Other components	**12 - 30**	12 - 30
Machinery and equipment	**5 - 30**	5 - 30
Transportation equipment	**5 - 10**	5 - 10
Office furniture, fixtures and equipment	**1 - 20**	2 - 20
Leasehold improvements	**3 - 20**	3 - 10
Electrical equipment	**5 - 25**	5 - 20
Meters and laboratory equipment	**25**	12 - 25
Steam field assets	**20 - 25**	20 - 25
Tools and others	**2 - 20**	2 - 10

Leasehold improvements are amortized over the shorter of the lease terms and the lives of the improvements.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

Fully depreciated assets are retained in the accounts until these are no longer in use. When assets are retired or otherwise disposed of, both the cost and related accumulated depreciation and amortization and any allowance for impairment losses are removed from the accounts and any resulting gain or loss is credited or charged to current operations. An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income in the year the asset is derecognized.

The asset's residual values, useful lives and depreciation and amortization methods are reviewed and adjusted, if appropriate, at each financial year-end.

When each major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria satisfied.

Service Concession Arrangements

Public-to-private service concession arrangements where: (a) the grantor controls or regulates what services the entities in the Group must provide with the infrastructure, to whom it must provide them, and at what price; and (b) the grantor controls - through ownership, beneficial entitlement or otherwise - any significant residual interest in the infrastructure at the end of the term of the arrangement, are accounted for under the provisions of Philippine Interpretation IFRIC 12, *Service Concession Arrangements*. Infrastructures used in a public-to-private service concession arrangement for its entire useful life (whole-of-life assets) are within the scope of this Interpretation if the conditions in (a) are met.

This interpretation applies to both: (a) infrastructure that the entities in the Group constructs or acquires from a third party for the purpose of the service arrangement; and (b) existing infrastructure to which the grantor gives the entity in the Group access for the purpose of the service arrangement.

Infrastructures within the scope of this Interpretation are not recognized as property, plant and equipment of the Group. Under the terms of contractual arrangements within the scope of this Interpretation, an entity acts as a service provider. An entity constructs or upgrades infrastructure (construction or upgrade services) used to provide a public service and operates and maintains that infrastructure (operation services) for a specified period of time.

An entity recognizes and measures revenue in accordance with PAS 11, *Construction Contracts*, and PAS 18, *Revenue*, for the services it performs. If an entity performs more than one service (i.e., construction or upgrade services and operation services) under a single contract or arrangement, consideration received or receivable shall be allocated by reference to the relative fair values of the services delivered, when the amounts are separately identifiable.

When an entity provides construction or upgrades services, the consideration received or receivable by the entity is recognized at its fair value. An entity accounts for revenue and costs relating to construction or upgrade services in accordance with PAS 11. Revenue from construction contracts is recognized based on the percentage-of-completion method, measured by reference to the percentage of costs incurred to date to estimated total costs for each contract.

The applicable entities account for revenue and costs relating to operation services in accordance with PAS 18.

An entity recognizes a financial asset to the extent that it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction services. An entity recognizes an intangible asset to the extent that it receives a right (a license) to charge users of the public service.

When the applicable entities have contractual obligations it must fulfill as a condition of its license (a) to maintain the infrastructure to a specified level of serviceability or (b) to restore the infrastructure to a specified condition before it is handed over to the grantor at the end of the service arrangement, it recognizes and measures these contractual obligations in accordance with PAS 37, i.e., at the best estimate of the expenditure that would be required to settle the present obligation at the balance sheet date.

Borrowing cost attributable to the construction of the asset if the consideration received or receivable is an intangible asset, is capitalized during the construction phase. In all other cases, borrowing costs are expensed as incurred.

Intangible Asset

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of the acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the consolidated statement of income in the year in which the expenditure is incurred.

Service concession right

The Group's intangible asset - service concession right pertains mainly to its right to charge users of the public service in connection with the service concession and related arrangements. This is recognized initially at the fair value which consists of the cost of construction services and the fair value of future fixed fee payments in exchange for the license or right. Following initial recognition, the intangible asset is carried at cost less accumulated amortization and any accumulated impairment losses.

The intangible asset - service concession right is amortized using the straight-line method over the estimated useful economic life which is the service concession period, and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The estimated useful life is 25 years. The amortization period and the amortization method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense is recognized in the consolidated statement of income in the expense category consistent with the function of the intangible asset.

Intangible assets - customer contracts

The Group's intangible assets - customer contracts pertain to contracts entered by subsidiaries relating to the provision of utility services to locators within an industrial zone.

These are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

The intangible assets - customer contracts are amortized using the straight-line method over the remaining life of the contract, and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The remaining contract life ranges from 6 to 10 years. The amortization period and method are reviewed at least at each financial year end.

The amortization expense is recognized in the consolidated statement of income in the expense category consistent with the function of the intangible asset.

Franchise

The Group's franchise pertains to VECO's franchise to distribute electricity within an area granted by the Philippine Legislature, acquired in the business combination in 2013. The franchise is initially recognized at its fair value at the date of acquisition. Following initial recognition, the franchise is carried at cost less accumulated amortization and any accumulated impairment losses. The Group's franchise is amortized using the straight-line method over the estimated economic useful life, and assessed for impairment whenever there is an indication that the franchise may be impaired. The estimated economic useful life of the franchise is 40 years. The amortization period and amortization method for franchise are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the franchise are accounted for by changing the amortization period or method, as appropriate, and treated as a change in accounting estimates. The amortization expense on franchise is recognized in the consolidated statement of income in the expense category consistent with its function.

Software and licenses

Software and licenses are initially recognized at cost. Following initial recognition, the software development costs are carried at cost less accumulated amortization and any accumulated impairment in value.

The software development costs are amortized on a straight-line basis over its estimated useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization commences when the software development costs are available for use. The amortization period and the amortization method for the software development costs are reviewed at each financial year-end. Changes in the estimated useful life is accounted for by changing the amortization period or method, as appropriate, and treating them as changes in accounting estimates. The amortization expense is recognized in the consolidated statement of income in the expense category consistent with the function of the software development costs.

Project development costs

Project development costs include power plant projects in the development phase which meet the “identifiability” requirement under PAS 38, *Intangible Assets*, as they are separable and susceptible to individual sale and are carried at acquisition cost. These assets are transferred to

"Property, plant and equipment" when construction of each power plant commences. During the period of development, the asset is tested for impairment annually.

Investment Properties

Investment properties, which pertain to land and buildings, are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are carried at fair value, which reflects market conditions at the balance sheet date. Gains or losses arising from changes in fair values of investment properties are included in the consolidated statement of income in the year in which they arise.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of income in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development with a view to sale. For a transfer from investment property to owner-occupied property or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. For a transfer from inventories to investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognized in the consolidated statement of income. When the Group completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognized in the consolidated statement of income.

Asset Retirement Obligation

The asset retirement obligation arose from the Group's obligation, under its contracts, to decommission, abandon and perform surface rehabilitation at the end of the useful lives of the steam field assets or upon abandonment of the plant. A corresponding asset is recognized as part of property, plant and equipment. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the asset retirement obligation. The unwinding of the discount is expensed as incurred and recognized in the consolidated statement of income as an "Accretion of asset retirement obligation" under the "Interest expense" account. The estimated future costs of decommissioning are reviewed annually and adjusted prospectively.

Changes in the estimated future costs or in the discount rate applied are added or deducted from the cost of the steam field asset. The amount deducted from the cost of the steam field asset, shall not exceed its carrying amount.

If the decrease in the liability exceeds the carrying amount of the steam field asset, the excess shall be recognized immediately in the consolidated statement of income.

Noncurrent Assets Classified as Held for Sale and Discontinued Operations
Noncurrent assets and disposal groups classified as held for sale are measured at the lower of their carrying mount and fair value less costs to sell. Noncurrent assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

In the consolidated statement of income of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of net income after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting net income is reported separately in the consolidated statement of income.

If there are changes to a plan of sale, and the criteria for the asset or disposal group to be classified as held for sale are no longer met, the Group ceases to classify the asset or disposal group as held for sale and it shall be measured at the lower of:

- its carrying amount before the asset was classified as held for sale adjusted for any depreciation, amortization or revaluations that would have been recognized had the asset not been classified as held for sale, and
- its recoverable amount at the date of the subsequent decision not to sell.

The Group includes any required adjustment to the carrying amount of a noncurrent asset or disposal group that ceases to be classified as held for sale in the consolidated statement of income from continuing operations in the period in which the criteria for the asset or disposal group to be classified as held for sale are no longer met. The Group presents that adjustment in the same caption in the consolidated statement of income used to present a gain or loss recognized, if any.

If the Group ceases to classify a component of an entity as held for sale, the results of operations of the component previously presented in discontinued operations shall be reclassified and included in income from continuing operations for all periods presented. The amounts for prior periods shall be described as having been re-presented.

Research and Development Expenditure
The Group's policy is to record research expenses in the consolidated statement of income in the period when they are incurred.

Development costs are recognized as an intangible asset on the consolidated balance sheet if the Group can identify them separately and show the technical viability of the asset, its intention and capacity to use or sell it, and how it will generate probable future economic benefits.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

Impairment of Nonfinancial Assets

Other current assets, property, plant and equipment, intangible assets, investments in associates and other noncurrent assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable or may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each balance sheet date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of accumulated depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Capital Stock and Additional Paid-in Capital

Capital stock is measured at par value for all shares issued. When the Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued. Capital stock includes common stock and preferred stock.

When the shares are sold at premium, the difference between the proceeds and the par value is credited to the "Additional paid-in capital" account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Company, the shares shall be measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Direct costs incurred related to equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are debited to the "Additional paid-in capital" account, net of tax. If additional paid-in capital is not sufficient, the excess is charged against equity.

Retained Earnings

Retained earnings include accumulated earnings of the Company and reduced by dividends on capital stock. Dividends on capital stock are recognized as a liability and deducted from equity when they are approved by the BOD. Dividends for the year that are approved after the financial reporting date are dealt with as an event after the financial reporting date. Retained earnings may also include effect of changes in accounting policy as may be required by the transition provisions of new and amended standards.

Treasury Shares

The Group's own equity instruments which are reacquired (treasury shares) are deducted from equity. No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Foreign Currency Transactions

The consolidated financial statements are presented in Philippine peso, which is the Group's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the consolidated statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of the following power subsidiaries: LHC, Therma Mariveles L.P. and subsidiaries, Therma Dinginin L.P. and subsidiaries; and associates: STEAG State Power, Inc. (STEAG), Western Mindanao Power Corporation (WMPC) and Southern Philippines Power Corporation (SPPC), is the United States (US) dollar; and food subsidiaries Pilmico VHF and Pilmico Viet Nam Trading Company, Ltd, is the Vietnamese Dong. As at the balance date, the assets and liabilities of these entities are translated into the presentation currency of the Group (the Philippine peso) at the rate of exchange ruling at the balance sheet date and their statements of income are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of the subsidiary and associate, the deferred cumulative amount recognized in other comprehensive income relating to that particular entity is recognized in the consolidated statement of income.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the amount of revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent.

The following specific recognition criteria must also be met before revenue is recognized:

Sales
Revenue from sale of power and electricity is recognized in the period in which actual capacity is generated and earned and upon distribution of power to customers.

Revenue from sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer.

Real estate sales are accounted for under the percentage-of-completion method when: (a) equitable interest and/or legal title to the subject properties is transferred to the buyer; (b) the seller is obliged to perform significant acts after the subject properties are sold; (c) the amount of revenue can be measured reliably; (d) the costs incurred or to be incurred can be measured reliably; and (e) it is probable that the economic benefits will flow to the entity. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work. If any of the criteria under the percentage-of-completion method is not met, the deposit method is applied until all the conditions for recording a sale are met. Under the deposit method, no revenue and receivable are recognized, and the Group continues to reflect the property in the consolidated balance sheet. Pending recognition of sale, cash received from buyers are presented under the “Deposits and other liabilities” account in the liabilities section of the consolidated balance sheet.

Rendering of services
Service revenues are recognized when the related services are rendered. Customer payments for which services have not yet been rendered are classified as unearned revenue under “Trade and other payables” account in the consolidated balance sheet.

Once the recorded value of a financial asset or bank of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized based on the original EIR used to discount the future recoverable cash flows.

Rental income
Rental income arising from operating leases is accounted for on a straight-line basis over the related lease terms.

Dividend income
Dividend income is recognized when the Group’s right to receive payment is established.

Interest income
Interest income is recognized as it accrues taking into account the effective yield on the asset.

Costs and Expenses

Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are recognized when incurred.

Pension Benefits

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the consolidated statement of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the consolidated statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to consolidated statement of income in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Borrowing Costs
Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization on that asset shall be determined as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. To the extent that funds are borrowed generally, the amount of borrowing costs eligible for capitalization shall be determined by applying a capitalization rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalized during a period shall not exceed the amount of borrowing costs incurred during that period.

Leases
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group as a lessee
Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating lease. Operating lease payments are recognized as an expense in the consolidated statement of income on a straight-line basis over the lease term.

Group as a lessor
Leases where the Group retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income.

Taxes
Current income tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date.

Current income tax relating to items recognized directly in equity is recognized in the consolidated statement of comprehensive income and not in the consolidated statement of income.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax
Deferred income tax is provided using the balance sheet liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences and carryforward benefits of net operating loss carryover (NOLCO) and excess of minimum corporate income tax (MCIT) over regular corporate income tax (RCIT), to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and the carryforward benefits of NOLCO and excess of MCIT over RCIT can be utilized, except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Input Value-Added Tax (VAT)

Input VAT represents VAT imposed on the Group by its suppliers for the acquisition of goods and services as required by Philippine taxation laws and regulations.

Input VAT, which is presented as part of “Other current assets” and/or “Other noncurrent assets” in the consolidated balance sheets, is recognized as an asset and will be used to offset the Group’s current output VAT liabilities and/or applied for claim for tax credit certificates. Input VAT is stated at its estimated NRV.

Output VAT

Output VAT represents VAT due on the sale, lease or exchange of taxable goods or properties or service by any person registered or required to register under Philippine taxation laws and regulations.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated balance sheet.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of income, net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed unless the probability of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed when an inflow of economic benefits is probable.

Events After the Reporting Period

Post year-end events that provide additional information about the Group’s position at balance sheet date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed when material.

Earnings Per Common Share
Basic earnings per common share are computed by dividing net income for the year attributable to the common shareholders of the parent by the weighted average number of common shares issued and outstanding during the year, after retroactive adjustments for any stock dividends declared and stock rights exercised during the year.

Diluted earnings per share amounts are calculated by dividing the net income for the year attributable to the common shareholders of the parent by the weighted average number of common shares outstanding during the year plus the weighted average number of common shares that would be issued for outstanding common stock equivalents. The Group does not have dilutive common stock equivalents.

Dividends on Common Shares
Dividends on common shares are recognized as a liability and deducted from retained earnings when approved by the respective shareholders of the Group and its subsidiaries. Dividends for the year that are approved after the balance sheet date are dealt with as an event after the reporting period.

Operating Segments
For management purposes, effective September 2015, the Group is organized into five major operating segments (power, food manufacturing, financial services, real estate, infrastructure and parent company/others) according to the nature of the products and the services provided. The Group's identified operating segments are consistent with the segments reported to the BOD which is the Group's Chief Operating Decision Maker (CODM). Financial information on operating segments is presented in Note 33.

3. Summary of Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

Judgments
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Determining functional currency
Based on the economic substance of the underlying circumstances relevant to the companies in the Group, the functional currency of the companies in the Group has been determined to be the Philippine peso, except for certain subsidiaries and associates whose functional currency is the US dollar (US$) or Vietnamese Dong. The Philippine peso is the currency of the primary economic environment in which the companies in the Group operate and it is the currency that mainly influences the sale of power, goods and services and the costs of power, manufacturing and selling the goods, and the rendering of services. The functional currency of the following

power subsidiaries: LHC, Therma Mariveles L.P. and subsidiaries, Therma Dinginin L.P. and subsidiaries; and associates: STEAG, WMPC and SPPC, is the US dollar; and food subsidiaries Pilmico VHF and Pilmico Viet Nam Trading Company, Ltd, is the Vietnamese Dong.

Determination of control or joint control over an investee company
Control is presumed to exist when an investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. On the other hand, joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Management has determined that by virtue of its majority ownership of voting rights in its subsidiaries as of December 31, 2016 and 2015, the Company had the ability to exercise control over these investees (see Note 2).

Nonconsolidation of certain investees
The Group has 83.33% interest in Manila-Oslo Renewable Enterprise, Inc. (MORE) which has a 60% ownership interest in SN Aboitiz Power-Magat, Inc., SN Aboitiz Power-Benguet, Inc., SN Aboitiz Power-RES, Inc., and SN Aboitiz Power-Generation, Inc.

The Group has 60% interest in Maaraw Holdings San Carlos, Inc. (MHSCI) which has a 25% ownership interest in San Carlos Sun Power, Inc. (SACASUN).

The Group does not consolidate MORE and MHSCI since it does not have the ability to direct the relevant activities which most significantly affect the returns of MORE, MHSCI and their respective investees. This is a result of the shareholders' agreements which, among others, stipulate the management and operation of MORE and MHSCI. Management of MORE and MHSCI is vested in their respective BODs and the affirmative vote of the other shareholder is required for the approval of certain corporate actions which include financial and operating undertakings.

The Group has 60% interest in AEV CRH Holdings, Inc. (AEV CRH) which has 99.09% ownership interest in Republic Cement and Building Materials, Inc. (RCBMI), 99.63% ownership interest in Republic Cement Mindanao, Inc. (RCMI), 94.63% ownership interest in Republic Cement Iligan, Inc. (RCII) and 100% ownership interest in Luzon Continental Land Corporation (LCLC).

The Group does not consolidate AEV CRH since it does not have the ability to direct the relevant activities which most significantly affect the returns of AEV CRH and its investees. This is a result of the contractual arrangements that give the other party the power to direct the relevant non-nationalized activities of the subsidiaries of AEV CRH. Consequently, the Group recognizes AEV CRH as an associate that is accounted for using the equity method in the consolidated financial statements.

Determining a joint operation
The Group has 50% interest in PEC. The Group assessed that the joint arrangement is a joint operation as the financial and operating activities of the operation are jointly controlled by the participating shareholders and are primarily designed for the provision of output to the shareholders.

Service concession arrangements - Companies in the Group as Operators
Based on management's judgment, the provisions of Philippine Interpretation IFRIC 12 apply to SEZ's Distribution Management Service Agreement (DMSA) with Subic Bay Metropolitan Authority (SBMA); MEZ's Built-Operate-Transfer (BOT) agreement with Mactan Cebu International Airport Authority (MCIAA) and LHC's Power Purchase Agreement (PPA) with the National Power Corporation (NPC). The service concession agreements of subsidiaries SEZ, MEZ and LHC were accounted for under the intangible asset model. STEAG, an associate, has also determined that the provisions of Philippine Interpretation IFRIC 12 apply to its PPA with NPC. STEAG's service concession agreement was accounted for under the financial asset model. Refer to the accounting policy on service concession arrangements for the discussion of intangible asset and financial asset models.

Finance lease - Group as the lessee
In accounting for its Independent Power Producer Administration Agreement (IPP Administration Agreement) with the Power Sector Assets and Liabilities Management Corporation (PSALM), the Group has made a judgment that the IPP Administration Agreement of TLI is an arrangement that contains a lease. The Group has made a judgment that it has substantially acquired all the risks and rewards incidental to ownership of the power plant principally by virtue of its right to control the capacity of the power plant and its right to receive the transfer of the power plant at the end of the IPP Administration Agreement for no consideration. Accordingly, the Group accounted for the agreement as a finance lease and recognized the power plant and finance lease obligation at the present value of the agreed monthly payments to PSALM (see Notes 22 and 36).

The power plant is depreciated over its estimated useful life as there is reasonable certainty that the Group will obtain ownership by the end of the lease term. As of December 31, 2016 and 2015, the carrying value of the power plant amounted to ₱36.9 billion and ₱38.0 billion, respectively. The carrying value of the finance lease obligation amounted to ₱52.3 billion and ₱53.7 billion as of December 31, 2016 and 2015, respectively (see Notes 13 and 22).

Determining revenue and cost recognition on real estate
When the contract is judged to be for the construction of a property, revenue is recognized using the percentage-of-completion method as construction progresses. The percentage-of-completion is made by reference to the stage of completion of projects and contracts determined based on the proportion of contract costs incurred to date and the estimated costs to complete.

Distinction between investment properties, land and improvements and real estate inventories
The Group determines whether a property is classified as an investment properties, land and improvements or real estate inventories:

- Investment properties comprise land, land improvements, buildings and (principally offices, commercial warehouses and retail properties) and pier facilities which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and for capital appreciation.
- Land and improvements comprise land and related improvements that are part of the Group's strategic landbanking activities for development or sale in the medium or long-term.

- Real estate inventories comprise properties that are held for sale in the ordinary course of business. Principally, these are residential properties that the Group develops and intends to sell before or on completion of construction.

The Group considers each property separately in making its judgment.

Operating lease commitments - Group as the lessor
The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

Determining fair value of customers' deposits
In applying PAS 39, on transformer and lines and poles deposits, the Group has made a judgment that the timing and related amounts of future cash flows relating to such deposits cannot be reasonably and reliably estimated for purposes of an alternative valuation technique in establishing their fair values, since the expected timing of customers' refund or claim for these deposits cannot be reasonably estimated. These customers' deposits amounted to ₱7.0 billion and ₱6.6 billion as of December 31, 2016 and 2015, respectively (see Notes 20 and 36).

Classification of financial instruments
The Group exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as either a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definition of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated balance sheet.

<u>Estimation Uncertainty</u>
The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed as follows:

Acquisition accounting
The Group accounts for acquired businesses using the purchase method of accounting which requires that the assets acquired and the liabilities assumed be recorded at the date of acquisition at their respective fair values.

The application of the purchase method requires certain estimates and assumptions especially concerning the determination of the fair values of acquired intangible assets and property, plant and equipment as well as liabilities assumed at the date of the acquisition. Moreover, the useful lives of the acquired intangible assets, property, plant and equipment have to be determined. The judgments made in the context of the purchase price allocation can materially impact the Group's future results of operations. Accordingly, for significant acquisitions, the Group obtains assistance from third party valuation specialists. The valuations are based on information available at the acquisition date (see Note 9).

Estimating allowance for impairment losses on trade receivables and others
The Group maintains allowance for impairment of trade and other receivables at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management on the basis of the factors that affect the collectibility of the accounts. These factors include, but are not limited to, the Group's relationship with its clients, client's current credit status and other known market factors. The Group reviews the age and status of receivables and identifies accounts that are to be provided with allowance either individually or collectively. The amount and timing of recorded expenses for any period would differ if the Group made different judgment or utilized different estimates. An increase in the Group's allowance for impairment of trade and other receivables will increase the Group's recorded expenses and decrease current assets.

Allowance for impairment losses as of December 31, 2016 and 2015 amounted to ₱1.9 billion and ₱2.0 billion, respectively. Trade and other receivables, net of valuation allowance, amounted to ₱22.0 billion and ₱19.1 billion as of December 31, 2016 and 2015, respectively (see Note 5).

Estimating allowance for inventory obsolescence
The Group estimates the allowance for inventory obsolescence based on the age of inventories. The amounts and timing of recorded expenses for any period would differ if different judgments or different estimates are made. An increase in allowance for inventory obsolescence would increase recorded expenses and decrease current assets. As of December 31, 2016 and 2015, allowance for inventory obsolescence amounted to ₱52.2 million and ₱112.2 million, respectively. The carrying amount of the inventories, net of valuation allowance, amounted to ₱10.2 billion and ₱7.9 billion as of December 31, 2016 and 2015, respectively (see Note 6).

Estimating allowance for impairment losses on investments and advances
Investments and advances are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The cash flows are derived from the projection for the next five years as well as the terminal value at the end of five years. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected cash inflows and the growth rates. The carrying amounts of the investments in and advances to associates amounted to ₱87.0 billion and ₱73.4 billion as of December 31, 2016 and 2015, respectively. The allowance for impairment losses amounted to ₱680.7 million as of December 31, 2016 and 2015 (see Note 10).

Estimating asset retirement obligation
Under the Geothermal Resource Service Contract (GRSC), the Group has a legal obligation to decommission, abandon and perform surface rehabilitation on its steam field asset at the end of its useful life. The Group also has a legal obligation under its land lease agreements to decommission the power plants at the end of its lease term. The Group recognizes the present value of the obligation to decommission the plant, abandon and perform surface rehabilitation of the steam field asset and capitalizes the present value of this cost as part of the balance of the related property, plant and equipment, which are being depreciated and amortized on a straight-line basis over the useful life of the related asset.

These costs are accrued based on in-house estimates, which incorporates estimates of the amount of obligations and interest rates, if appropriate. Assumptions used to compute the provision are reviewed and updated annually. Each year, the provision is increased to reflect the accretion of discount and to accrue an estimate for the effects of inflation, with charges being recognized as accretion expense, included under “Interest expense” in the consolidated statement of income.

Changes in the asset retirement obligation that result from a change in the current best estimate of cash flow required to settle the obligation or a change in the discount rate are added to (or deducted from) the amount recognized as the related asset and the periodic unwinding of the discount on the liability is recognized in the consolidated statement of income as it occurs.

While the Group has made its best estimate in establishing the decommissioning provision, because of potential changes in technology as well as safety and environmental requirements, plus the actual time scale to complete decommissioning activities, the ultimate provision requirements could either increase or decrease significantly from the Group’s current estimates.

The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

Asset retirement obligation amounted to ₱1.8 billion and ₱3.0 billion as of December 31, 2016 and 2015, respectively (see Note 21).

Recognition of deferred income tax assets
The Group reviews the carrying amounts of deferred income tax assets at each reporting date and reduces deferred income tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax assets to be utilized. The Group has net deferred income tax assets amounting ₱2.2 billion and ₱699.5 million as of December 31, 2016 and 2015, respectively (see Note 31).

The Company did not recognize its deferred income tax assets on NOLCO generated in 2016 and 2015 amounting to ₱1.1 billion and ₱743.1 million, respectively, and on MCIT paid in 2016 and 2015 amounting to ₱21.4 million and ₱13.9 million, respectively. Likewise, AP parent company did not recognize its deferred income tax assets on NOLCO amounting to ₱228.1 million and ₱436.9 million as of December 31, 2016 and 2015, respectively, and on MCIT amounting to ₱43.8 million and ₱26.3 million as of December 31, 2016 and 2015, respectively (see Note 31).

Pension benefits
The costs of defined benefit pension plans, as well as the present value of the pension obligation, are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Net benefit expense amounted to ₱320.5 million in 2016, ₱356.7 million in 2015 and ₱284.0 million in 2014. The net benefit asset as at December 31, 2016 and 2015 amounted to ₱115.3 million and ₱106.6 million, respectively (see Note 30). Net pension liabilities as of December 31, 2016 and 2015 amounted to ₱347.7 million and ₱755.4 million, respectively.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

Further details about the assumptions used are provided in Note 30.

Estimating useful lives of property, plant and equipment
The Group estimates the useful lives of property, plant and equipment based on the period over which assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, the estimation of the useful lives of property, plant and equipment is based on collective assessment of internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in the factors and circumstances mentioned above. As of December 31, 2016 and 2015, the net book values of property, plant and equipment, excluding land, amounted to ₱200.0 billion and ₱142.2 billion, respectively (see Note 13).

Estimating residual value of property, plant and equipment
The residual value of the Group's property, plant and equipment is estimated based on the amount that the entity would obtain from disposal of the asset, after deducting estimated costs of disposal, if the asset is already of the age and in the condition expected at the end of its useful life. The estimated residual value of each asset is reviewed periodically and updated if expectations differ from previous estimates. As of December 31, 2016 and 2015, the net book values of property, plant and equipment, excluding land, amounted to ₱200.0 billion and ₱142.2 billion, respectively (see Note 13).

Estimating useful lives of intangible asset - service concession rights
The Group estimates the useful lives of intangible asset arising from service concessions based on the period over which the asset is expected to be available for use which is 25 years. The Group has not included any renewal period on the basis of uncertainty, as of balance sheet date, of the probability of securing renewal contract at the end of the original contract term. As of December 31, 2016 and 2015, the net book value of intangible asset - service concession rights amounted to ₱3.2 billion (see Note 15).

Estimating useful lives of intangible asset - customer contracts
The Group estimates the useful lives of intangible asset arising from customer contracts based on the period over which the asset is expected to be available for use which is six years. The Group has not included any renewal period on the basis of uncertainty, as of reporting date, of the probability of securing renewal contract at the end of the original contract term. As at December 31, 2016 and 2015, the net book values of intangible assets - customer contracts amounted to ₱64.0 million and ₱79.4 million, respectively (see Note 16).

Estimating useful life of franchise
The Group estimates the useful life of VECO's distribution franchise based on the period over which the asset is estimated to be available for use which is 40 years, consisting of 15 years remaining contract period from date of business combination and expected probable renewal covering another 25 years. As of December 31, 2016 and 2015, the carrying value of franchise amounted to ₱2.8 billion and ₱2.9 billion, respectively (see Note 16).

Assessing impairment of AFS investments
The Group treats AFS equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. The Group treats "significant" generally as 20% or more and "prolonged" as greater than six months for quoted equity securities. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities. Fair value of AFS investments amounted to ₱563.7 million and ₱367.7 million as of December 31, 2016 and 2015, respectively. Net unrealized mark-to-market gain on AFS investments amounted to ₱9.1 million and ₱14.2 million as of December 31, 2016 and 2015, respectively. No impairment loss was recognized in 2016, 2015 and 2014.

Assessing impairment of goodwill
The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as of December 31, 2016 and 2015 amounted to ₱38.2 billion and ₱2.1 billion, respectively (see Note 12). Goodwill impairment recognized in 2016 amounted to ₱169.5 million. No impairment of goodwill was recognized in 2015 and 2014.

Fair value less estimated costs to sell of biological assets
The Group determines the most reliable estimate of fair value less estimated costs to sell of its biological assets. Fair value reflects the most recent market transaction price provided that there has been no significant change in economic circumstances between the date of transaction and balance sheet date. Point-of-sale cost is estimated based on recent transactions and is deducted from the fair value in order to measure the biological assets at balance sheet date.

As of December 31, 2016 and 2015, the carrying value of the biological assets amounted to ₱756.3 million and ₱676.9 million, respectively (see Note 8).

Impairment of nonfinancial assets
The Group assesses whether there are any indicators of impairment for nonfinancial assets at each reporting date. These nonfinancial assets (other current assets, property, plant and equipment, intangible asset - service concession rights and other noncurrent assets) are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

Determining the recoverable amount of these assets, which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Group to make estimates and assumptions that can materially affect its consolidated financial statements. Future events could cause the Group to conclude that the other current assets, property, plant and equipment, intangible asset - service concession rights and other noncurrent assets are impaired. Any resulting impairment loss could have a material adverse impact on the consolidated balance sheet and consolidated statement of income. The aggregate net book values of these assets as of December 31 are as follows:

	2016	2015
Property, plant and equipment (see Note 13)	**₱201,894,769**	₱143,997,702
Other current assets (see Note 7)	**6,849,331**	5,913,755
Intangible asset – service concession rights (see Note 15)	**3,222,123**	3,226,536
Other noncurrent assets (see Note 16)	**12,207,714**	10,331,721
	₱224,173,937	₱163,469,714

No impairment loss was recognized in 2016, 2015 and 2014.

Fair value of financial instruments
When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 36 for further disclosures.

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently re-measured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows.

Revaluation of investment properties
The Group carries its investment properties at fair value, with changes in fair value being recognized in the consolidated statement of income. The Group engaged an independent valuation specialist to assess the fair values of these properties. For these assets, the valuation methodology used was Sales Comparison Approach. This method considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison (see Note 14).

Legal contingencies
The estimate of probable costs for the resolution of possible claims has been developed in consultation with outside counsels handling the Group's defense in these matters and is based upon an analysis of potential results. No provision for probable losses arising from legal contingencies was recognized in the Group's consolidated financial statements for the years ended December 31, 2016, 2015 and 2014.

4. Cash and Cash Equivalents

	2016	2015
Cash on hand and in banks	**₱13,538,522**	₱8,281,357
Short-term deposits	**50,319,006**	55,300,527
	₱63,857,528	₱63,581,884

Cash in banks earn interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. Interest income earned from cash and cash equivalents amounted to ₱1.4 billion in 2016, ₱1.1 billion in 2015 and ₱579.7 million in 2014 (see Note 35).

5. Trade and Other Receivables

	2016	2015
Trade receivables (see Note 35)		
Power (see Note 19)	**₱13,916,684**	₱11,810,396
Real estate	**2,855,165**	2,286,152
Food manufacturing	**1,848,628**	1,669,387
Financial services	**155,028**	27,372
Holding and others	**1,319,883**	733,446
	20,095,388	16,526,753
Advances to contractors	**773,547**	1,084,377
Dividends receivable (see Note 10)	**748,000**	1,320,000
Accrued revenues	**595,533**	512,530
Non-trade receivables	**345,099**	281,451
Others	**1,331,439**	1,370,165
	23,889,006	21,095,276
Less allowance for impairment losses	**1,879,032**	2,041,945
	22,009,974	19,053,331
Less noncurrent portion	**277,771**	224,395
	₱21,732,203	₱18,828,936

Trade receivables, except real estate receivables, are generally non-interest bearing and on 10 - 30 days' terms.

For terms and conditions relating to related party receivables, refer to Note 34.

Contractual maturities of trade receivables from sale of real estate inventories range from 1 to 180 months. Current and noncurrent portion of these receivables amount to ₱21.7 billion and ₱277.8 million, respectively, as of December 31, 2016, and ₱18.8 billion and ₱224.4 million, respectively, as of December 31, 2015.

Other receivables include accrued interest income.

The rollforward analysis of allowance for impairment losses is presented below:

December 31, 2016

	Trade Receivables				
	Power	Food Manufacturing	Real Estate	Holding and Others	Total
At beginning of year	**₱1,841,625**	**₱126,824**	**₱2,006**	**₱71,490**	**₱2,041,945**
Provisions (see Note 27)	**145,786**	**412**	**517**	**1,308**	**148,023**
Reversals/recovery	**–**	**(17,931)**	**(230)**	**(67,000)**	**(85,161)**
Write-off	**(225,775)**	**–**	**–**	**–**	**(225,775)**
At end of year	**₱1,761,636**	**₱109,305**	**₱2,293**	**₱5,798**	**₱1,879,032**

December 31, 2015

	Trade Receivables				
	Power	Food Manufacturing	Real Estate	Holding and Others	Total
At beginning of year	₱1,559,014	₱97,222	₱1,776	₱–	₱1,658,012
Provisions (see Note 27)	418,029	40,796	230	67,000	526,055
Write-off	(135,418)	–	–	–	(135,418)
Reversals	–	(11,194)	–	–	(11,194)
Deconsolidation (see Note 9)	–	–	–	4,490	4,490
At end of year	₱1,841,625	₱126,824	₱2,006	₱71,490	₱2,041,945

Allowance for impairment losses as of December 31, 2016 and 2015 pertains to receivables that are either individually or collectively determined to be impaired at reporting date.

These individually determined accounts relate to debtors that are in significant financial difficulties and have defaulted on payments and accounts under dispute and legal proceedings. These receivables are not secured by any collateral or credit enhancements.

For collective assessment, allowances are assessed for receivables that are not individually significant and for individually significant receivables where there is no objective evidence yet of individual impairment. Impairment losses are estimated by taking into consideration the age of the receivables, past collection experience and other factors that may affect collectability.

Reversals of allowance for impairment losses are presented as part of “Others - net” under “Other income - net” account in the consolidated statements of income.

6. **Inventories**

	2016	2015
At cost:		
Fuel and lubricants	**₱2,845,119**	₱1,045,021
Materials, parts and supplies	**1,660,656**	998,485
Real estate inventories	**1,984,725**	1,992,706
Raw materials	**886,340**	702,312
Finished goods (see Note 27)	**507,645**	776,307
At NRV:		
Wheat grains and other raw materials	**1,525,839**	1,792,417
Materials, parts and supplies	**811,124**	638,056
	₱10,221,448	₱7,945,304

A summary of the movement in real estate inventories is set out below:

	2016	2015
Real estate inventories:		
At January 1	**₱1,992,706**	₱2,796,543
Construction/development costs incurred	**878,516**	615,023
Land acquired during the period	**51,850**	30,892
Borrowing costs capitalized	**107,822**	83,805
Disposals (recognized as cost of real estate inventories sold)	**(1,084,740)**	(1,243,650)
Land costs transferred from (to) land and improvements	**31,640**	(300,696)
Transfers from property and equipment	**6,931**	10,789
At December 31	**₱1,984,725**	₱1,992,706

The cost of inventories recognized as part of cost of generated power in the consolidated statements of income amounted to ₱12.2 billion in 2016, ₱13.6 billion in 2015 and ₱15.1 billion in 2014 (see Notes 26 and 27). The cost of inventories recognized as part of operations and maintenance in the consolidated statements of income amounted to ₱310.9 million in 2016, ₱910.5 million in 2015 and ₱840.8 million in 2014 (see Note 27).

Cost of real estate inventories sold amounted to ₱1.1 billion, ₱1.2 billion and ₱1.3 billion 2016, 2015 and 2014, respectively.

Allowance for inventory obsolescence amounted to ₱52.2 million and ₱112.2 million as of December 31, 2016 and 2015, respectively. The amount of provision for inventory obsolescence and losses recognized as expense amounted to ₱11.1 million in 2016, ₱31.1 million in 2015 and nil in 2014 (see Note 27).

Cost of inventories carried at NRV amounted to ₱2.3 billion and ₱2.4 billion as of December 31, 2016 and 2015, respectively.

Total borrowing costs capitalized as part of the real estate projects amounted to ₱107.8 million and ₱83.8 million in 2016 and 2015, respectively (see Note 19). The general capitalization rate ranges from 2.75% to 2.87% in 2016 and 2.0% to 4.53% in 2015.

7. Other Current Assets

	2016	2015
Prepaid expenses	**₱3,122,523**	₱2,139,335
Input VAT	**2,216,281**	2,427,198
Restricted cash	**2,100,611**	–
Biological assets (see Note 8)	**629,288**	578,257
Others	**1,510,527**	1,347,222
	₱9,579,230	₱6,492,012

Prepaid expenses consist of unapplied insurance, rent and tax costs for which payments have been made.

Restricted cash represents proceeds from sale of power under the control of trustees of the lenders as per loan agreement (see Note 19). The asset will be used to pay the current portion of loans payable and interest payments in the following period.

"Others" include prepayments to regulatory agencies.

8. Biological Assets

	2016	2015
Presented under Other Current Assets:		
Market hogs	**₱382,576**	₱377,226
Piglets	**167,615**	129,689
Growing stocks	**67,021**	66,525
Poultry - broilers	**2,585**	1,020
Poultry - others	**9,491**	3,797
	629,288	578,257
Presented under Other Noncurrent Assets:		
Bearers (breeders) (see Note 16)	**127,015**	98,662
	₱756,303	₱676,919

As of December 31, 2016 and 2015, biological assets are measured at fair value under Level 2 input. Fair values are determined based on average market selling prices at balance sheet date. Prices used reflect the most recent active market transaction price provided that there has been no significant change in economic circumstances between the date of transaction and balance sheet date. Market hogs, piglets, bearers (breeders), growing stocks, broilers and others are measured at fair value less estimated costs to sell.

As of December 31, 2016 and 2015, the fair value of biological assets measured using quoted prices in active markets (Level 2) amounted to ₱756.3 million and ₱676.9 million, respectively (see Notes 7 and 16).

During the years ended December 31, 2016 and 2015, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

The reconciliation of changes in the carrying amount follows:

	2016	2015
At beginning of year	**₱676,919**	₱575,851
Additions	**1,684,738**	1,562,540
Sales at fair value	**(1,854,053)**	(1,786,095)
Transferred to breeding herd	**(139,519)**	(101,097)
Increase in fair value (see Note 29)	**388,218**	425,720
At end of year	**₱756,303**	₱676,919

Consumable biological assets are included under "Other current assets" account while bearers are included under "Other noncurrent assets" account in the consolidated balance sheets (see Notes 7 and 16).

9. Acquisitions and Disposals of Shares of Stock

a. Acquisition of GNPower

On October 4, 2016, TPI, a 100%-owned subsidiary of AP, finalized the purchase and sale agreements for the acquisition of the partnership interests held by affiliated investment funds of The Blackstone Group L.P. which indirectly owns the majority and minority interests in GMCP and GNPower Dinginin Ltd. Co. (GNPD), respectively, amounting to US$1.22 billion, subject to purchase price adjustments.

The completion of the transaction is subject to certain conditions, including approvals by the Philippine Competition Commission (PCC) and the Board of Investments (BOI), as may be applicable. The PCC and BOI approved the acquisition on December 19, 2016 and November 21, 2016, respectively.

GMCP

GMCP owns and operates the Mariveles subcritical coal-fired power plant, consisting of two units totaling 604 MW. The plant is located in Mariveles, Bataan and started commercial operations in 2014. TPI acquired the 82.82% indirect interest in GMCP through its acquisition of Therma Mariveles Holdings L.P. (see Note 2).

The Group elected to measure the non-controlling interest in the acquiree at the proportionate share of its interest in the acquiree's identifiable net assets.

The following are the provisional fair values of the identifiable assets and liabilities assumed on acquisition date:

Assets:	
Cash and cash equivalents	₱5,567,064
Trade and other receivables	2,152,589
Inventory	1,321,660
Prepaid expenses	679,956
Property, plant, and equipment	33,661,994
Derivative assets	752,335
Deferred income tax assets	1,054,677
Other assets	144,747
	45,335,022
Liabilities:	
Trade and other payables	₱2,057,368
Long-term debt	26,473,367
Derivative liabilities	351,210
Asset retirement obligation	318,136
Other liabilities	32,925
	29,233,006
Total identifiable net assets	₱16,102,016
Total consideration	₱49,787,176
Fair value of noncontrolling interest	2,584,442
	52,371,618
Goodwill	₱36,269,602
Cash flow on acquisition:	
Net cash acquired with the subsidiary	₱5,567,064
Cash paid	(49,787,176)
Net cash outflow	(₱44,220,112)

The accounting for this business combination was determined provisionally as TPI is still finalizing the fair valuation of the nonfinancial assets acquired.

In 2016, GMCP contributed ₱663.8 million to the consolidated revenue and ₱326.1 million to the net income of the Group. If the combination had taken place at the beginning of 2016, the Group's revenue would have been ₱105.48 billion and net income would have been ₱25.06 billion.

GNPD

GNPD is the project company established to develop, finance, design, engineer, construct, complete, maintain, own and operate the proposed supercritical coal-fired power project located also in Bataan. The GNPD project is currently under development and consists of up to two units totaling 668 MW. TPI acquired the 50.00% indirect interest in GMCP through its acquisition of Therma Dinginin L.P. (see Note 2).

The purchase price amounted to US$224.9 million (P11.20 billion). As of December 31, 2016, it is impracticable to determine the fair values of the assets and liabilities of GNPD as TPI is still compiling all the required information.

b. Step Acquisition of EAUC

EAUC is a Philippine Economic Zone Authority (PEZA) registered power generation company which provides electric power to PEZA economic zones in Lapu-Lapu City and Balamban, province of Cebu. Prior to the acquisition, EAUC was 50% owned by AP and 50% owned by El Paso Philippines Energy Company, Inc. (EPPECI).

In June 2016, TPI acquired 50% ownership interest in EAUC from EPPECI. As a result of the acquisition, EAUC became a wholly owned subsidiary of AP. The transaction was accounted for as a business combination achieved in stages.

The accounting for this business combination was determined provisionally as AP is still finalizing the fair valuation of the nonfinancial assets acquired. This will be finalized within one year as allowed by PFRS.

The provisional fair values of the identifiable net assets included in the consolidated amounts follow:

Assets:	
Cash and cash equivalents	₱199,185
Trade and other receivables	133,769
Materials and supplies	94,542
Other current assets	17,551
Property, plant, and equipment	779,976
Other assets	33,824
	1,258,847
Liabilities:	
Trade and other payables	80,773
Other liabilities	57,503
Deferred income tax liabilities	25,673
	163,949
Total identifiable net assets at fair value	1,094,898
Total consideration	513,205
Fair value of previously-held interest in EAUC	547,449
Bargain purchase gain	₱34,244

Cash flow on acquisition:	
Net cash acquired with the subsidiary	₱199,185
Cash paid	(513,205)
Net cash outflow	(₱314,020)

Remeasurement of the previously-held interest in EAUC as at the date of acquisition follows:

Carrying value of the previously-held interest	₱230,754
Fair value of previously-held interest	547,449
Gain on the remeasurement of previously-held interest	₱316,695

In 2016, EAUC contributed ₱415.8 million to the consolidated revenue and ₱92.5 million to the net income of the Group. If the combination had taken place at the beginning of 2016, the Group's revenue would have been ₱89.47 billion and net income would have been ₱21.54 billion.

c. Acquisition of PETNET

On June 1, 2015, the Company acquired 51% stake in PETNET from Amon Trading Corporation, Strongview Inc. and various individual shareholders for a total consideration of ₱1.0 billion. Out of the 2,461,338 shares acquired by the Company, 1,235,186 shares (equivalent to 25.6%) were acquired from existing PETNET shareholders while the remaining 1,226,152 shares (equivalent to 25.4%) were subscribed from the unissued capital stock of PETNET.

PETNET is a Philippine money remittance business with a national footprint of around 2,500 locations through a mix of own units and business partner agreements, the largest Western Union agent network of the Philippines.

The purchase of PETNET was treated as a business combination accounted for under the acquisition method, and generated a goodwill amounting to ₱523.9 million.

In 2015, PETNET contributed ₱306.7 million to the consolidated revenue and ₱8.2 million to the net income of the Group from the date of acquisition.

d. Acquisition of Pilmico VHF

In May 2014, Pilmico International, a 100%-owned subsidiary of the Company, acquired 70% of the outstanding shares of Pilmico VHF for a total consideration of US$19.8 million. Pilmico VHF is a leading and trusted supplier of aqua feeds based in Dong Thap, Vietnam. Founded in 2007, it operates a 130,000 tons per year aqua feed facility producing primarily pangasius feed.

With Pilmico International's obligation to purchase the remaining 30% interest in Pilmico VHF within five (5) years at the same price per share and its present access to the returns on said interest, Pilmico International treated the deal as a 100% acquisition, bringing up the total transaction value to US$28.2 million. Consequently, Pilmico International recorded a ₱325.0 million financial liability for the call option on the remaining 30% in accordance with PAS 39. The purchase of Pilmico VHF was treated as a business combination accounted for under the acquisition method, and generated a goodwill amounting to ₱394.2 million.

In 2014, Pilmico VHF contributed ₱1.7 billion in revenue and ₱16.0 million in net income to the Group.

e. Sale of Investment in Abojeb Group

On February 12, 2014, the Company sold its interests in Aboitiz Jebsen Company, Inc., Aboitiz Jebsen Manpower Solutions, Inc., and Jebsens Maritime, Inc. (collectively, the "Abojeb Group") to PTC Holdings Corporation, Behike Holdings, Inc., Valdicava Holdings, Inc., Jebsen Invest A.S. and Furunes Holdings Inc for a total consideration of US$8.3 million.

As a result of this disposal, Abojeb Group was deconsolidated from the March 31, 2014 consolidated financial statements of the Group, and a gain amounting to ₱274.0 million was reported under "Other income - net" account in the 2014 consolidated statement of income.

f. Joint Operation

		Percentage of Ownership		
Name of Joint Operation	Nature of Business	**2016**	2015	2014
PEC*	Power generation	**50.00**	50.00	50.00

**PEC's principal place of business and country of incorporation is the Philippines. PEC has no commercial operations as of December 31, 2016.*

On May 15, 2014, AP entered into a shareholders' agreement with TPEC Holdings Corporation (TPEC) for the development, construction and operation of the 400 MW Pagbilao Unit III in Pagbilao, Quezon through PEC. TPI and TPEC both agreed to provide their respective capital contributions and subscribe to common shares such that each stockholder owns 50% of the issued and outstanding shares of stock of PEC. This effectively reduced the Group's ownership in PEC from 100% to 50%.

The financial and operating activities of the operation are jointly controlled by the participating shareholders and are primarily designed for the provision of output to the shareholders.

The Group's share of assets, liabilities, revenue, expenses and cash flows of joint operations are included in the consolidated financial statements on a line-by-line basis.

10. Investments and Advances

	2016	2015
Acquisition cost:		
Balance at beginning of year	**₱50,335,563**	₱29,191,049
Additions during the year	**12,408,168**	24,515,343
Step acquisition of subsidiary	**(144,691)**	–
Write-offs during the year	–	(721,625)
Redemptions during the year	**(35,925)**	(2,649,204)
Balance at end of year	**62,563,115**	50,335,563
Accumulated share in net earnings:		
Balances at beginning of year	**27,072,370**	24,628,963
Share in net earnings for the year	**9,651,787**	6,589,452
Write-offs during the year	**–**	801,096
Step acquisition of subsidiary	**(87,437)**	–
Deconsolidation of a subsidiary	**–**	(57)
Cash dividends received and receivable	**(8,036,738)**	(4,947,084)
Balance at end of year	**28,599,982**	27,072,370
Gain on dilution	**1,014,136**	1,014,136
Share in cumulative translation adjustments of associates and joint ventures	**(128,203)**	(256,376)
Share in actuarial losses on retirement benefit plan of associates and joint ventures	**(546,459)**	(368,215)

(Forward)

	2016	2015
Share in net unrealized mark-to-market losses on AFS investments of associates	**(₱3,903,435)**	(₱3,713,742)
	87,599,136	74,083,736
Advances to associates	**32,056**	32,056
	87,631,192	74,115,792
Less allowance for impairment losses (see Note 3)	**680,731**	680,731
	₱86,950,461	₱73,435,061

The rollforward of the share in net unrealized mark-to-market losses on AFS investments of an associate follows:

	2016	2015
At January 1	**(₱3,713,742)**	(₱1,468,732)
Unrealized valuation losses	**(1,286,690)**	(2,471,113)
Realized valuation gains	**1,096,997**	226,102
At December 31	**(₱3,903,435)**	(₱3,713,742)

The Group's investees and the corresponding equity ownership are as follows:

	Nature of Business	2016	2015	2014
MORE*	Holding	**83.33**	83.33	83.33
MHSCI*	Power generation	**60.00**	60.00	–
AEV CRH	Holding	**60.00**	60.00	–
GNPD (see Note 9)**	Power generation	**50.00**	–	–
Cebu District Property Enterprise, Inc. (CDPEI)*	Real estate	**50.00**	50.00	50.00
Accuria, Inc.**	Holding	**49.54**	49.54	49.54
Union Bank of the Philippines (UBP)	Banking	**48.83**	47.97	47.43
Hijos	Holding	**46.73**	46.73	46.73
CRH ABOITIZ Holdings, Inc. (CRH ABOITIZ)	Holding	**45.00**	45.00	–
San Fernando Electric Light & Power Co., Inc. (SFELAPCO)	Power distribution	**43.78**	43.78	43.78
Pampanga Energy Ventures, Inc. (PEVI)	Holding	**42.84**	42.84	42.84
La Filipina Elektrika, Inc.**	Power generation	**40.00**	40.00	–
SACASUN*	Power generation	**35.00**	35.00	–
STEAG	Power generation	**34.00**	34.00	34.00
Cebu Energy Development Corp. (CEDC)	Power generation	**26.40**	26.40	26.40
Redondo Peninsula Energy, Inc. (RP Energy)**	Power generation	**25.00**	25.00	25.00
SPPC	Power generation	**20.00**	20.00	20.00
WMPC	Power distribution	**20.00**	20.00	20.00
EAUC (see Note 9)	Power generation	**–**	50.00	50.00

**Joint venture*

***No commercial operations as of December 31, 2016.*

The investees are all located in the Philippines.

As of December 31, 2016 and 2015, the undistributed earnings of the associates and joint ventures included in the Group's retained earnings are not available for distribution to the stockholders unless declared by the associates and joint ventures (see Note 24).

2016

In December 2016, TPI completed its acquisition of all of Therma Dinginin L.P.'s indirect ownership interests in GNPD as part of the GNPower acquisition (see Note 9).

In April 2016, the Group, through TPI, subscribed and paid for additional shares of Redondo Peninsula Energy, Inc. (RPEI) amounting to ₱169.6 million.

On various dates in 2016, the Group, through ARI, subscribed and paid for additional MORE, MHSCI and SACASUN shares amounting to ₱25.0 million, ₱127.9 million and ₱298.5 million, respectively.

2015

On September 15, 2015, AEV and CRH PLC (CRH), through their investment vehicles, AEV CRH and CRH ABOITIZ, closed the acquisition of Lafarge S.A. Philippine assets. AEV acquired its interest in AEV CRH and CRH ABOITIZ for a total consideration of ₱23.7 billion. Simultaneously, AEV CRH purchased 99.09% of RCBMI and 100% of LCLC shares, while CRH ABOITIZ acquired 100% of the outstanding common shares of Republic Cement Services, Inc. (RCSI) (formerly Lafarge Cement Services (Philippines), Inc.).

In April 2015, ARI acquired shares of SCSPI amounting to ₱0.1 million, equivalent to 35% ownership in SCSPI, and subsequently infused additional capital into SCSPI amounting to ₱316.0 million.

On various dates in 2015, the Group infused capital into MHSCI through stock subscription amounting to ₱135.4 million.

2014

On February 20, 2014, AEV and Aboitizland, together with the ALI group, incorporated CDPEI as a 50-50 joint venture company (between the Aboitiz and Ayala group) that will develop a 15-hectare mixed use community in Mandaue City, Cebu. Under the joint venture agreement, all corporate acts of CDPEI should be approved with the unanimous consent of each party. Consequently, AboitizLand's 50% ownership in the voting shares of CDPEI is accounted for under the equity method in the Group's consolidated financial statements.

In January 2014, AEV sold all of its interest in CICTI for a total consideration of ₱646.5 million. The ₱359.5 million gain generated from this disposal is included in "Other income - net" in the 2014 consolidated statement of income (see Note 29).

The detailed carrying values of investees, which are accounted for under the equity method, follow:

	2016	2015
UBP	**₱30,183,219**	₱25,813,716
AEV CRH	**24,648,303**	23,573,714
GNPD	**11,200,790**	–
MORE	**9,764,599**	13,123,420
STEAG	**3,761,763**	4,150,972

(Forward)

	2016	2015
CEDC	**₱3,070,016**	₱2,694,465
CDPEI	**1,487,279**	1,490,511
SFELAPCO/PEVI	**834,689**	768,941
SACASUN	**525,391**	314,706
RP Energy	**481,759**	322,565
CRH ABOITIZ	**271,352**	244,547
MHSCI	**223,633**	134,200
SPPC	**137,436**	137,777
WMPC	**128,034**	262,303
EAUC	**–**	249,511
Others	**200,140**	121,655
	₱86,918,403	₱73,403,003

The fair value of the investment in UBP for which there is a published price quotation amounted to ₱38.6 billion and ₱29.0 billion as of December 31, 2016 and 2015, respectively.

Following is the summarized financial information of significant associates and joint ventures:

	2016	2015	2014
UBP			
Total current assets	**₱129,052,429**	₱113,826,652	₱189,392,658
Total noncurrent assets	**386,790,707**	319,477,687	253,470,282
Total current liabilities	**449,645,054**	374,967,776	303,877,444
Total noncurrent liabilities	**7,200,000**	7,200,000	7,200,000
Equity attributable to equity holders of UBP Parent Company	**₱58,977,766**	₱51,112,771	₱52,854,495
Gross revenue	**₱20,105,820**	₱16,235,225	₱14,955,022
Operating profit	**12,012,290**	7,475,404	8,685,648
Net income attributable to equity holders of parent	**10,094,621**	5,315,853	6,840,012
Other comprehensive income attributable to equity holders of the parent	**9,452,512**	480,789	10,780,431
Group's share in net income	**₱4,913,926**	₱2,533,581	₱3,243,902
AEV CRH			
Total current assets	**₱5,885,378**	₱7,266,741	₱–
Total noncurrent assets	**74,560,302**	63,798,648	–
Total current liabilities	**18,189,288**	17,864,592	–
Total noncurrent liabilities	**21,723,645**	14,374,575	–
Equity attributable to equity holders of AEV CRH Parent Company	**₱40,508,670**	₱38,621,267	₱–

(Forward)

	2016	2015	2014
Gross revenue	**₱26,693,275**	₱7,608,815	₱–
Operating profit	**3,973,198**	456,829	–
Net income attributable to equity holders of parent	**1,790,981**	32,677	–
Group's share in net income	**₱1,074,589**	₱19,606	₱–
CRH ABOITIZ			
Total current assets	**₱165,802**	₱682,077	₱–
Total noncurrent assets	**1,085,320**	699,526	–
Total current liabilities	**633,968**	847,951	–
Total noncurrent liabilities	**203,785**	161,968	–
Equity attributable to equity holders of CRH ABOITIZ Parent Company	**₱413,361**	₱371,684	₱–
Gross revenue	**₱2,603,500**	₱616,616	₱–
Operating profit	**1,175,462**	405,428	–
Net income attributable to equity holders of parent	**59,568**	124,187	–
Group's share in net loss	**₱26,806**	₱55,884	₱–
MORE			
Total current assets	**₱149,022**	₱133,894	₱1,024,283
Total noncurrent assets	**11,688,969**	15,705,943	18,420,732
Total current liabilities	**96,106**	91,473	999,803
Total noncurrent liabilities	**5,190**	260	22,714
Equity	**₱11,736,695**	₱15,748,104	₱18,422,498
Gross revenue	**₱170,236**	₱166,636	₱166,636
Operating profit	**2,601,566**	2,557,392	3,098,681
Net income	**2,573,164**	2,552,419	3,087,584
Other comprehensive income	**145,426**	113,073	49,978
Group's share in net income	**₱2,164,217**	₱2,127,016	₱2,552,580
Additional information:			
Cash and cash equivalents	**₱39,817**	₱26,500	₱11,905
STEAG			
Total current assets	**₱2,608,136**	₱3,286,363	₱3,005,932
Total noncurrent assets	**10,721,862**	10,265,755	9,921,145
Total current liabilities	**2,018,724**	1,747,652	1,737,831
Total noncurrent liabilities	**3,651,920**	3,900,707	3,899,890
Equity	**₱7,659,354**	₱7,903,759	₱7,289,356
Gross revenue	**₱4,626,910**	₱4,864,480	₱4,351,273
Operating profit	**1,205,122**	2,060,028	658,167
Net income	**928,891**	1,414,229	495,672
Other comprehensive income	**10,321**	50,338	3,095
Group's share in net income	**₱162,426**	₱324,455	₱9,520

	2016	2015	2014
CEDC			
Total current assets	**₱5,666,952**	₱5,083,812	₱5,602,608
Total noncurrent assets	**14,901,921**	15,418,308	16,023,078
Total current liabilities	**3,840,126**	5,250,521	4,755,207
Total noncurrent liabilities	**9,751,438**	9,127,815	10,152,587
Equity	**₱6,977,309**	₱6,123,784	₱6,717,892
Gross revenue	**₱7,965,518**	₱8,108,516	₱8,037,147
Operating profit	**3,433,767**	3,196,976	3,439,164
Net income	**2,546,339**	2,366,296	2,325,609
Other comprehensive income	**7,188**	39,595	(24,431)
Group's share in net income	**₱1,120,389**	₱1,041,170	₱1,023,268
SFELAPCO*			
Total current assets	**₱1,406,869**	₱1,302,248	₱1,317,304
Total noncurrent assets	**1,996,643**	2,015,544	2,145,415
Total current liabilities	**710,301**	742,792	814,231
Total noncurrent liabilities	**618,579**	565,278	618,794
Equity	**₱2,074,632**	₱2,009,722	₱2,029,694
Gross revenue	**₱4,255,286**	₱4,208,990	₱4,140,738
Operating profit	**310,511**	170,695	191,652
Net income	**272,756**	165,094	249,413
Other comprehensive income (loss)	**8,671**	–	310,688
Group's share in net income	**₱73,415**	₱146,977	₱132,570
WMPC			
Total current assets	**₱555,637**	₱1,256,744	₱982,321
Total noncurrent assets	**305,394**	414,139	391,953
Total current liabilities	**222,299**	266,259	357,644
Total noncurrent liabilities	**71,782**	93,109	46,701
Equity	**₱566,950**	₱1,311,515	₱969,929
Gross revenue	**₱1,636,339**	₱1,430,260	₱1,441,632
Operating profit	**130,244**	926,475	758,494
Net income	**91,646**	776,764	617,781
Other comprehensive income (loss)	**(9,634)**	2,270	1,490
Group's share in net income	**₱18,329**	₱155,353	₱123,556
SPPC			
Total current assets	**₱361,706**	₱529,902	₱432,433
Total noncurrent assets	**351,903**	351,948	305,304
Total current liabilities	**42,285**	123,326	174,915
Total noncurrent liabilities	**66,430**	69,638	106,344
Equity	**₱604,894**	₱688,886	₱456,478

(Forward)

	2016	2015	2014
Gross revenue	**₱632,504**	₱709,403	₱742,717
Operating profit	**204,593**	430,392	312,739
Net income	**272,756**	365,512	456,478
Other comprehensive income (loss)	**28,550**	(360)	300
Group's share in net income	**₱41,034**	₱73,030	₱50,256
SACASUN			
Total current assets	**₱838,410**	₱984,914	₱–
Total noncurrent assets	**3,642,924**	2,515,145	–
Total current liabilities	**285,178**	956,524	–
Total noncurrent liabilities	**2,696,727**	1,645,852	–
Equity	**₱1,499,429**	₱897,683	₱–
Gross revenue	**₱101,339**	₱–	₱–
Operating loss	**(112,596)**	(829)	–
Net loss	**(250,887)**	(4,099)	–
Other comprehensive loss	**–**	–	–
Group's share in net loss	**(₱87,810)**	(₱1,434)	₱–
Additional information:			
Cash and cash equivalents	**₱378,908**	₱935,637	₱–
Noncurrent financial liabilities	**2,701,096**	1,645,852	–
GNPD			
Total current assets	**₱533,725**	₱–	₱–
Total noncurrent assets	**6,593,952**	–	–
Total current liabilities	**131,137**	–	–
Total noncurrent liabilities	**4,537,895**	–	–
Equity	**₱2,458,644**	₱–	₱–
Others**			
Total current assets	**₱578,587**	₱799,379	₱898,046
Total noncurrent assets	**3,019,198**	2,941,861	2,745,009
Total current liabilities	**214,628**	121,773	107,517
Total noncurrent liabilities	**104,248**	60,496	60,035
Gross revenue	**₱129,808**	₱1,060,238	₱1,332,602
Net loss	**(40,580)**	106,400	175,264

** Amounts are based on appraised values which are adjusted to historical amounts upon equity take-up of the Group. Using cost method in accounting for property, plant and equipment, net income amounted to ₱361.8 million, ₱335.7 million and ₱301.1 million in 2016, 2015 and 2014, respectively, for SFELAPCO.*
***The financial information of insignificant associates and joint ventures is indicated under "Others".*

11. **Material partly-owned subsidiary**

As of December 31, 2016, the Company has 76.88% interest in AP, a holding company incorporated in the Philippines.

The summarized financial information as of December 31, 2016 and 2015 of AP is provided below:

	2016	2015
Summarized comprehensive income information		
Revenue	**₱89,163,269**	₱85,173,952
Cost of sales	**46,226,259**	46,426,239
Administrative expenses	**16,626,710**	14,061,136
Finance costs - net	**6,620,476**	5,787,565
Profit before tax	**25,000,246**	22,542,320
Income tax	**3,496,140**	3,589,669
Profit for the year from continuing operations	**₱21,504,106**	₱18,952,651
Total comprehensive income	**₱21,575,328**	₱19,178,573
Summarized other financial information		
Attributable to non-controlling interests	**₱1,450,558**	₱1,356,861
Dividends paid to non-controlling interests	**2,823,782**	2,823,782
Summarized balance sheet information		
Total current assets	**₱73,649,187**	₱70,409,021
Total noncurrent assets	**281,127,048**	172,080,225
Total current liabilities	**32,802,506**	22,553,200
Total noncurrent liabilities	**210,344,297**	118,322,479
Equity	**₱111,629,432**	₱101,613,567
Summarized cash flow information		
Operating cash flows	**₱29,887,980**	₱25,199,597
Investing cash flows	**(81,380,348)**	(8,902,646)
Financing cash flows	**47,484,228**	(5,448,755)

12. **Impairment Testing of Goodwill**

Goodwill acquired through business combinations have been attributed to each business considered as cash-generating unit.

The recoverable amount of the investments has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period.

Key assumptions used in value in use calculation for December 31, 2016 and 2015

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill.

Discount rates and growth rates

The discount rate applied to cash flow projections are from 11.80% to 18.17% in 2016 and from 11.36% to 18.36% in 2015, and cash flows beyond the five-year period are extrapolated using a zero percent growth rate.

Revenue assumptions

Revenue assumptions are based on the expected electricity to be sold. In 2016, revenue growth of 12% in year 1, 6% in year 2, -11% in year 3, 5% in year 4 and 6% in year 5 for GMCP; 19% in year 1, 8% in year 2 and 6% for the next three years was applied for LEZ; -6% for year 1 and 3% for the next four years for MEZ; -69% in year 1, 9% in year 2, 7% in year 3, 3% in year 4 and -3% in year 5 was applied to BEZ; and 14% in year 1, 17% in year 2, 0% in year 3, and 2% in the next 2 years was applied for HI. Revenue assumptions for LLI are based on sale of existing lots (3% in years 1 and 2, -41% in year 3, -73% in year 4 and 3% % in year 5). VHF revenue assumptions are based on projected aquafeeds sales (39% in year 1, 18% in year 2, 2% in year 3, no growth in year 4 and 1% in year 5). PETNET revenue assumptions are based on income from money remittance and other allied services (4% in year 1, 11% in year 2, 10% in year 3, 9% in year 4 and 6% in year 5).

In 2015, revenue growth of 6% in year 1 and 4% for the next four years was applied for LEZ; 8% for year 1 and 4% for the next four years for MEZ; 1% in year 1, 4% for the next three years and 5% in year 5 was applied to BEZ; and 11% in year 1, 1% in year 2, -18% in year 3, 16% in year 4 and 3% in year 5 was applied for HI. Revenue assumptions for LLI are based on sale of existing lots (4% in year 1, 3% in years 2 and 3, -41% in year 4 and -73% % in year 5). VHF revenue assumptions are based on projected aquafeeds sales (7% in year 1, 16% in year 2 and no growth from years 3 to 5). PETNET revenue assumptions are based on income from money remittance and other allied services (24% in year 1, 2% in year 2, 4% in year 3, 5% in year 4 and 3% in year 5).

Foreign exchange rates

2016: The assumption used to determine foreign exchange rate is a weakening Philippine peso which starts at a rate of ₱48.55 to a dollar in 2017 and depreciates at 2% annually until 2021.

2015: The assumption used to determine foreign exchange rate is a weakening Philippine peso which starts at a rate of ₱48.00 to a dollar in 2016 and depreciates at 2% annually until 2020.

Materials price inflation

2016: The assumption used to determine the value assigned to the materials price inflation is 3.14% in 2017 and increases by 15 and 25 basis points in 2018 and 2019, respectively. It then decreases by 9 basis points in 2019, then settles at 3.5% in 2021. The starting point of 2017 is consistent with external information sources.

2015: The assumption used to determine the value assigned to the materials price inflation is 4.00% in 2016 and remains constant until 2020.

Based on the impairment testing, impairment of goodwill amounting to ₱169.5 million on the investment in MEZ was recognized in 2016. With regard to the assessment of value-in-use, management believes that no reasonable possible change in any of the above key assumptions would cause the carrying value of the goodwill to materially exceed its recoverable amount, except that of MEZ. In 2015, no impairment was recorded.

The carrying amount of goodwill follows:

	2016	2015
GMCP (see Note 9)	**₱36,269,602**	₱–
PETNET (see Note 9)	**523,866**	523,866
LEZ	**467,586**	467,586
Pilmico VHF (Note 9)	**394,217**	394,217
BEZ	**237,404**	237,404
HI	**220,228**	220,228
LLI	**61,202**	61,202
MEZ	**–**	169,469
	₱38,174,105	₱2,073,972

13. Property, Plant and Equipment and Land and Improvements

December 31, 2016

	Building, Warehouses and Improvements	Power Plant and Equipment (see Note 21)	Transmission, Distribution Equipment and Substation	Machinery and Equipment	Flight Equipment	Transportation Equipment	Handling Equipment	Office Furniture, Fixtures and Equipment	Leasehold Improvements	Land	Construction in Progress	Others	Total
Cost													
At January 1	**₱17,267,337**	**₱99,606,874**	**₱14,721,395**	**₱5,064,989**	**₱1,013,552**	**₱1,427,757**	**₱246,092**	**₱3,930,852**	**₱3,502,183**	**₱1,881,393**	**₱25,770,746**	**₱1,171,031**	**₱175,604,201**
Acquisition of subsidiaries (see Note 9)	**5,441,126**	**33,194,252**	**104,542**	**–**	**–**	**325,400**	**–**	**330,532**	**21,244**	**(58,158)**	**135,137**	**80,081**	**39,574,156**
Additions	**267,696**	**250,232**	**1,051,340**	**90,938**	**7,711**	**267,125**	**–**	**396,853**	**34,016**	**92,500**	**29,270,672**	**316,838**	**32,045,921**
Disposals	**–**	**(156,278)**	**(772,463)**	**(12,475)**	**–**	**(86,276)**	**–**	**(726,851)**	**(296)**	**–**	**–**	**(6,545)**	**(1,761,184)**
Reclassifications	**2,629,230**	**4,281,822**	**938,947**	**854,229**	**–**	**(40,385)**	**9,497**	**567,478**	**4,915**	**138,868**	**(10,706,794)**	**14,277**	**(1,307,916)**
At December 31	**25,605,389**	**137,176,902**	**16,043,761**	**5,997,681**	**1,021,263**	**1,893,621**	**255,589**	**4,498,864**	**3,562,062**	**2,054,603**	**44,469,761**	**1,575,682**	**244,155,178**
At January 1	**2,948,202**	**18,059,450**	**4,344,340**	**2,438,197**	**234,184**	**794,890**	**88,310**	**2,137,054**	**432,135**	**103,098**	**(722,768)**	**749,407**	**31,606,499**
Acquisition of subsidiaries (see Note 9)	**556,377**	**4,096,568**	**95,758**	**–**	**–**	**139,143**	**–**	**169,009**	**20,162**	**–**	**–**	**62,126**	**5,139,143**
Depreciation and amortization	**847,357**	**4,034,998**	**438,720**	**222,435**	**41,918**	**181,412**	**6,165**	**428,477**	**135,253**	**12,196**	**–**	**82,408**	**6,431,339**
Disposals	**–**	**(26,583)**	**(778,294)**	**(12,449)**	**–**	**(74,120)**	**–**	**(719,731)**	**(183)**	**–**	**–**	**(6,504)**	**(1,617,864)**
Reclassifications	**(29,762)**	**480,350**	**91,215**	**–**	**–**	**(55,687)**	**14,250**	**195,618**	**505**	**–**	**–**	**4,803**	**701,292**
At December 31	**4,322,174**	**26,644,783**	**4,191,739**	**2,648,183**	**276,102**	**985,638**	**108,725**	**2,210,427**	**587,872**	**115,294**	**(722,768)**	**892,240**	**42,260,409**
Net Book Value	**₱21,283,215**	**₱110,532,119**	**₱11,852,022**	**₱3,349,498**	**₱745,161**	**₱907,983**	**₱146,864**	**₱2,288,437**	**₱2,974,190**	**₱1,939,309**	**₱45,192,529**	**₱683,442**	**₱201,894,769**

December 31, 2015

	Building, Warehouses and Improvements	Power Plant and Equipment (see Note 21)	Transmission, Distribution Equipment and Substation	Machinery and Equipment	Flight Equipment	Transportation Equipment	Handling Equipment	Office Furniture, Fixtures and Equipment	Leasehold Improvements	Land	Construction in Progress	Others	Total
Cost													
At January 1	₱5,869,678	₱87,188,066	₱12,753,079	₱4,807,225	₱1,010,290	₱1,286,608	₱246,092	₱2,446,038	₱1,338,372	₱1,749,671	₱33,784,752	₱992,633	₱153,472,504
Acquisition of subsidiary (see Note 9)	7,995	–	–	–	–	20,559	–	65,142	84,085	19,109	–	–	196,890
Additions	319,206	832,326	813,284	65,661	3,262	160,924	–	307,595	31,503	34,489	19,669,683	85,157	22,323,090
Disposals	(19,743)	(131,758)	–	(19,490)	–	(84,941)	–	(24,396)	(19,247)	(113)	–	(35)	(299,723)
Reclassifications	11,090,201	11,718,240	1,155,032	211,593	–	44,607	–	1,136,473	2,067,470	78,237	(27,683,689)	93,276	(88,560)
At December 31	17,267,337	99,606,874	14,721,395	5,064,989	1,013,552	1,427,757	246,092	3,930,852	3,502,183	1,881,393	25,770,746	1,171,031	175,604,201
Accumulated depreciation and amortization													
At January 1	1,975,075	15,342,647	4,244,446	2,051,135	193,037	735,677	79,696	1,634,742	285,716	19,959	–	706,648	27,268,778
Acquisition of subsidiary (see Note 9)	1,016	–	–	–	–	9,274	–	61,761	81,730	–	–	–	153,781
Depreciation and amortization	421,779	3,186,286	110,693	194,203	41,147	123,330	8,614	277,766	74,808	9,265	–	17,333	4,465,224
Disposals	(1,491)	(21,619)	–	(8,762)	–	(13,523)	–	(25,930)	(11,472)	(113)	–	(33)	(82,943)
Reclassifications	551,823	(447,864)	(10,799)	201,621	–	(59,868)	–	188,715	1,353	73,987	(722,768)	25,459	(198,341)
At December 31	2,948,202	18,059,450	4,344,340	2,438,197	234,184	794,890	88,310	2,137,054	432,135	103,098	(722,768)	749,407	31,606,499
Net Book Value	₱14,319,135	₱81,547,424	₱10,377,055	₱2,626,792	₱779,368	₱632,867	₱157,782	₱1,793,798	₱3,070,048	₱1,778,295	₱26,493,514	₱421,624	₱143,997,702

In 2016, an adjustment was made reducing power plant equipment and steam field assets by ₱1.63 billion due to the change in accounting estimate of the asset retirement obligation. In 2015, additions to power plant equipment and steam field assets include asset retirement obligation amounting to ₱560.8 million (see Note 21).

In 2016 and 2015, additions to "Construction in progress" include capitalized borrowing costs amounting to ₱1.82 billion and ₱1.56 billion, respectively (see Note 16).

Property, plant and equipment with carrying amounts of ₱116.98 billion and ₱43.47 billion as of December 31, 2016 and 2015, respectively, are used to secure the Group's long-term debts (see Note 19).

Fully depreciated property, plant and equipment with cost amounting to ₱5.2 billion and ₱5.5 billion as of December 31, 2016 and 2015, respectively, are still in use.

A significant portion of the Group's property, plant and equipment relates to various projects under "Construction in progress" as of December 31, 2016 and 2015, as shown below:

Project Company	**Estimated Cost to Complete (in millions Php)**		**% of Completion**	
	2016	2015	**2016**	2015
TVI	**₱17,813**	₱32,023	**54%**	17%
Hedcor Bukidnon	**6,229**	9,964	**45%**	12%
TSI	**–**	1,918	**100%**	94%
PEC (see Note 10)	**8,614**	14,798	**61%**	33%

Land and Improvements

	2016	2015
Cost		
At January 1	**₱2,960,646**	₱1,970,211
Additions	**438,962**	685,642
Transfers/Adjustments	**131,070**	304,793
Disposal	**(5,297)**	–
At December 31	**₱3,525,381**	₱2,960,646

14. **Investment Properties - at Fair Value**

December 31, 2016

	Land	**Land Improvements**	**Buildings**	**Total**
At January 1	**₱3,976,512**	**₱235,558**	**₱971,710**	**₱5,183,780**
Additions	**13,809**	**3,196**	**1,123**	**18,128**
Loss on fair valuation	**–**	**–**	**(19,407)**	**(19,407)**
Disposals	**(423)**	**–**	**–**	**(423)**
Transfers/adjustments	**9,843**	**89**	**180,380**	**190,312**
At December 31	**₱3,999,741**	**₱238,843**	**₱1,133,806**	**₱5,372,390**

December 31, 2015

	Land	Land Improvements	Buildings	Total
At January 1	₱3,342,696	₱217,631	₱881,090	₱4,441,417
Additions	651,755	1,769	20,218	673,742
Gain on fair valuation	150,636	–	35,876	186,512
Disposals	(168,575)	–	(25,000)	(193,575)
Transfers/adjustments	–	16,158	59,526	75,684
At December 31	₱3,976,512	₱235,558	₱971,710	5,183,780

Rental income earned from and direct operating expenses of investment properties amounted to ₱419.3 million and ₱193.4 million, respectively, in 2016; ₱385.0 million and ₱133.4 million, respectively, in 2015; and ₱430.2 million and ₱123.0 million, respectively, in 2014 (see Note 25).

As at December 31, 2015, the fair values of the properties are based on valuations performed by an accredited independent valuer. The valuation model in accordance with that recommended by the International Valuation Standards Committee has been applied.

The fair values of the Group's investment properties were determined as follows:

- In valuing the land, the Group used the Sales Comparison Approach. This is a comparative approach to value that considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison.

  The appraiser gathers data on actual sales and/or listings, offers, and renewal options, and identifies the similarities and differences in the data, ranks the data according to their relevance, adjusts the sales prices of the comparable to account for the dissimilarities with the unit being appraised, and forms a conclusion as to the most reasonable and probable market value of the subject property.

  The elements of comparison include location, physical characteristics, available utilities, zoning, and highest and best use. The most variable elements of comparison are the site's physical characteristics, which include its size and shape, frontage, topography and location.

  Reproduction cost is the current cost of constructing a replica of the existing structures, employing the same design and similar building materials. The current cost of an identical new item.

- In valuing the land improvements and building, the Group used the Cost Approach. This is a comparative approach to the value of property or another asset that considers as a substitute for the purchase of a given property, the possibility of constructing another property that is a replica of, or equivalent to, the original or one that could furnish equal utility with no undue cost resulting from delay. It is based on the reproduction or replacement cost of the subject property or asset, less total (accrued) depreciation. In the context of asset valuation, depreciation refers to the adjustments made to the cost of reproducing or replacing the asset to reflect physical deterioration, functional (technical) obsolescence and economic (external) obsolescence in order to estimate the value of the asset in a hypothetical exchange in the market when there is no direct sales evidence available. Sound value of an asset is determined by applying the two types of depreciation such as physical deterioration and functional obsolescence. Market Value reflects all the three types of depreciation.

Fair value investment properties are estimated under Level 3 inputs.

The Group has no restrictions on the realizability of its investment properties and no contractual obligations to either purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

	Fair value at December 31, 2016	**Valuation technique**	**Significant unobservable inputs**	**Range (weighted average)**
Land	**₱3,999,741**	**Sales Comparison Approach**	**Price per square meter**	**₱4,100 - ₱183,920**
Buildings and Land Improvements	**1,372,649**	**Cost Approach**	**Estimated cost, remaining economic life**	**15 - 35 years**

	Fair value at December 31, 2015	Valuation technique	Significant unobservable inputs	Range (weighted average)
Land	₱3,976,512	Sales Comparison Approach	Price per square meter	₱4,100 - ₱183,920
Buildings and Land Improvements	1,207,268	Cost Approach	Estimated cost, remaining economic life	15 - 35 years

For land, significant increases (decreases) in price per square meter would result in a significantly higher (lower) fair value of the properties.

For buildings and land improvements, significant increases (decreases) in estimated replacement cost and remaining economic life would result in a significantly higher (lower) fair value of the properties.

15. Intangible Asset - Service Concession Rights

	2016	2015
Cost:		
At January 1	**₱5,011,484**	₱4,847,271
Additions from internal development	**45,875**	20,046
Effect of translation	**141,715**	144,167
	5,199,074	5,011,484
Accumulated amortization:		
At January 1	**1,784,948**	1,446,917
Amortization (see Note 27)	**199,342**	338,031
Reclassifications	**(7,339)**	–
	1,976,951	1,784,948
	₱3,222,123	₱3,226,536

The amortization of intangible asset is included in "Depreciation and amortization" under "Operating Expenses" in the consolidated statements of income (see Note 27).

Service concession arrangements entered into by the Group are as follows:

- On November 24, 1996, LHC entered into a PPA with NPC, its sole customer, for the construction and operation of a 70-megawatt hydroelectric power generating facility (the Power Station) in Bakun River in Benguet and Ilocos Sur Provinces on a build-operate-transfer scheme. Under the PPA, LHC shall deliver to NPC all electricity generated over a cooperation period of 25 years until February 5, 2026.

  On the Transfer Date, as defined in the PPA, LHC shall transfer to NPC, free from any lien or encumbrance, all its rights, title and interest in and to the Power Station and all such data as operating manuals, operation summaries/transfer notes, design drawings and other information as may reasonably be required by NPC to enable it to operate the Power Station.

  Since NPC controls the ownership of any significant residual interest of the Power Station at the end of the PPA, the PPA is accounted for under the intangible asset model as LHC has the right to charge users for the public service under the service concession arrangement.

  The Power Station is treated as intangible asset and is amortized over a period of 25 years, which is the service concession period. The intangible asset with a carrying value of ₱2.39 billion and ₱2.38 billion as of December 31, 2016 and 2015 was used as collateral to secure LHC's long-term debt (see Note 19).

- On May 15, 2003, the SBMA, AEV and DLP entered into a DMSA to privatize SBMA Power Distribution System (PDS) on a rehabilitate-operate-and-transfer arrangement; and to develop, construct, lease, lease out, operate and maintain property, structures, and machineries in the Subic Bay Freeport Zone (SBFZ).

  Under the terms of the DMSA, SEZ was created to undertake the rehabilitation, operation and maintenance of the PDS (the Project), including the provision of electric power service to the customers within the Subic Bay Freeport Secured Areas of the SBFZ as well as the collection of the relevant fees from them for its services and the payment by SBMA of the service fees throughout the service period pursuant to the terms of the DMSA. The DMSA shall be effective for a 25-year period commencing on the turnover date.

For and in consideration of the services and expenditures of SEZ, it shall be paid by the SBMA the service fees equivalent to all the earnings of the Project, provided, however, that SEZ shall remit the amount of ₱40.0 million to the SBMA at the start of every 12-month period throughout the service period, regardless of the earnings of the Project. The said remittances may be reduced by the outstanding power receivables from SBMA, including streetlights power consumption and maintenance, for the immediate preceding year.

Since SBMA controls ownership of the equipment at the end of the agreement, the PDS are treated as intangible assets and are amortized over a period of 25 years up to year 2028, in accordance with Philippine Interpretation IFRIC 12.

The carrying value of the intangible asset arising from the service concession arrangement amounted to ₱727.0 million and ₱747.9 million as of December 31, 2016 and 2015, respectively.

- The transmission and distribution equipment of MEZ are located within Mactan Export Processing Zone (MEPZ) II. Since MCIAA controls ownership of the equipment at the end of the agreement, the equipment are treated as intangible assets and are amortized over a period of 21 years up to year 2028, in accordance with Philippine Interpretation IFRIC 12.

  The carrying amount of the intangible asset arising from the service concession arrangement amounted to ₱109.1 million and ₱102.4 million as of December 31, 2016 and 2015, respectively.

16. **Other Noncurrent Assets**

	2016	2015
Input VAT and tax credit receivable	**₱6,766,183**	₱4,750,339
Notes receivable (see Note 34)	**2,882,456**	–
Intangible assets:		
Franchise	**2,802,654**	2,879,615
Project development costs	**411,499**	294,071
Customer contracts	**63,968**	79,377
Software and licenses	**168,712**	86,124
Prepaid rent and other deposits (see Note 38)	**933,971**	874,130
Advances to contractors and projects	**476,570**	781,135
Receivable from National Grid Corporation of the Philippines (NGCP)	**146,714**	102,350
Biological assets (see Note 8)	**127,015**	98,662
Others	**437,443**	484,580
	₱15,217,185	₱10,430,383

The customer contracts pertain to agreements between LEZ, LWC and the locators within LiMa Technology Center relating to the provision of utility services to the locators. These contracts are treated as intangible assets and are amortized over a period of 6 years since 2014.

Receivable from NGCP pertains to cost of installation and construction of substation and transmission facilities to be reimbursed by NGCP as part of the agreement on the advance implementation of network assets.

In December 2016, SACASUN as the borrower, ARI as the buyer, and BDO Unibank, Inc. (BDO) as the seller, entered into a Memorandum of Understanding wherein buyer and seller agree to an absolute sale and purchase of SACASUN's notes payable to BDO (the "Loan"). The parties agree to the transfer of all of BDO's rights, title, interests, benefits, and obligations in and to the Loan to ARI. The consideration for the purchase of the Loan was ₱2.88 billion, equivalent to the outstanding balance of the Loan (see Note 34).

Rollforward of intangible assets follow:

December 31, 2016

	Franchise	**Project development costs**	**Customer contracts**	**Software and licenses**
Balances at beginning of year	**₱2,879,615**	**₱294,071**	**₱79,377**	**₱86,124**
Additions	**–**	**180,078**	**–**	**115,367**
Transfer from property and equipment	**–**	**(9,477)**	**–**	**–**
Write-off – net of reversal	**–**	**(53,173)**	**–**	**–**
Amortization	**(76,961)**	**–**	**(15,409)**	**(32,779)**
Balances at end of year	**₱2,802,654**	**₱411,499**	**₱63,968**	**₱168,712**

December 31, 2015

	Franchise	Project development costs	Customer contracts	Software and licenses
Balances at beginning of year	₱2,956,576	₱322,412	₱94,786	₱44,928
Additions	–	120,871	–	56,694
Business combination (see Note 9)	–	(317)	–	–
Write-off	–	(148,895)	–	–
Amortization	(76,961)	–	(15,409)	(15,498)
Balances at end of year	₱2,879,615	₱294,071	₱79,377	₱86,124

17. **Bank Loans**

	2016	2015
Philippine peso loans	**₱7,907,700**	₱8,440,900
Vietnamese dong loans	**351,328**	442,156
	₱8,259,028	₱8,883,056

The peso loans are unsecured short-term notes payable obtained from local banks with annual interest rates ranging from 2.4% to 2.8% in 2016 and 2015. These loans will mature on various dates in 2017.

The Philippine peso and Vietnamese dong short-term loans are covered by the respective borrower's existing credit lines with the banks and are not subject to any significant covenants and warranties.

Total interest expense on bank loans recognized in 2016, 2015 and 2014 amounted to ₱137.7 million, ₱190.6 million and ₱123.0 million, respectively (see Note 35).

18. Trade and Other Payables

	2016	2015
Trade payables (see Note 38)	**₱11,803,900**	₱9,413,256
Nontrade and other payables	**3,557,662**	3,409,475
Accrued expenses	**3,721,920**	2,427,875
Output VAT	**2,453,604**	2,219,658
Amounts due to contractors and other third parties	**639,994**	1,060,588
Unearned revenue	**33,829**	34,705
	22,210,909	18,565,557
Less noncurrent portion (see Note 34)	**578,892**	302,202
	₱21,632,017	₱18,263,355

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

Nontrade payables include amounts due to PSALM pertaining to Generation Rate Adjustment Mechanism (GRAM), Incremental Currency Exchange Rate Adjustment (ICERA), and Universal Charges. Other payables represent withholding taxes, insurance liabilities and other accrual of expenses arising in the ordinary course of business and are generally payable within 12 months from the reporting date.

Accrued expenses include interest on borrowings, fuel and lube costs, taxes and licenses, freight expense, materials and supplies, and energy fees that are due within 12 months. These represent ₱3.3 billion and ₱1.8 billion of the total accrued expenses as of December 31, 2016 and 2015, respectively.

Amounts due to contractors and other third parties include liabilities arising from the power plant construction (see Note 13).

19. **Long-term Debts**

	2016		2015	
	Annual Interest Rate	**Amount**	Annual Interest Rate	Amount
Company:				
Financial and non-financial institutions - unsecured	**4.41% - 6.02%**	**₱32,000,000**	4.41% - 6.02%	₱32,000,000
Subsidiaries:				
TPI				
Financial institution - unsecured	**LIBOR + 1.10%**	**31,000,420**	–	–
TVI				
Financial institution - secured	**6.02% to 6.23%**	**27,570,000**	6.02% – 6.23%	8,673,999
GMCP				
Financial institution - secured	**LIBOR + 2.5% - 7.65%**	**27,116,752**	–	–
TSI				
Financial institution - secured	**4.50% to 5.14%**	**23,970,380**	4.50% - 5.14%	25,083,407
APRI				
Financial institution - secured	**4.53% to 6.00%**	**11,874,880**	–	–
AP				
Financial and non-financial institutions - unsecured	**5.21% - 6.10%**	**10,000,000**	5.21% - 6.10%	10,000,000
Hedcor Bukidnon				
Financial institution - secured	**5.28% to 6.00%**	**5,684,476**	5.28% – 6.00%	3,215,247
HSI				
Fixed rate corporate notes	**4.11% to 5.32%**	**4,100,000**	–	–
PILMICO				
Financial institutions - secured	**5.09 - 5.65%**	**2,844,000**	5.09% - 5.65%	2,858,000
PANC				
Financial institution - secured	**5.02% - 5.35%**	**2,700,000**	5.02% - 6.47%	2,600,000
ASEAGAS				
Financial institution - secured	**4.66% - 5.06%**	**2,434,209**	4.66% - 5.06%	2,000,000
VECO				
Financial institution -unsecured	**3.50% - 4.81%**	**1,379,000**	3.50% - 4.81%	1,584,000
LHC				
Financial institution - secured	**2% to 2.75%**	**1,374,759**	2.38% - 2.56%	1,560,039
DLP				
Financial institutions - unsecured	**3.50% to 4.81%**	**1,034,250**	3.50% - 4.81%	1,188,000
HI				
Financial institution - secured	**5.25%**	**630,000**	5.25%	720,000
SEZ				
Financial institutions - unsecured	**5.61% - 6.06%**	**282,500**	5.61% - 6.06%	339,000
CLP				
Financial institution - unsecured	**3.50% to 4.81%**	**206,850**	3.50% - 4.81%	237,600
ABOITIZLAND				
Financial institutions:				
Philippine peso - secured	**4.67% - 6.89%**	**120,000**	4.67% - 6.89%	150,000
US$ - secured	**1.31% - 1.59%**	**97,252**	1.31% - 1.59%	115,061
CPDC				
Financial institutions - unsecured	**4.24% - 5.11%**	**–**	4.24% - 5.11%	480,000
Joint Operation:				
PEC				
Financial institution - secured	**4.70% to 6.68%**	**12,234,910**	4.70% - 6.68%	6,973,502
Total		**198,654,638**		99,777,855
Less deferred financing costs		**3,422,615**		1,230,123
		195,232,023		98,547,732
Less current portion		**7,698,261**		3,133,346
		₱187,533,762		₱95,414,386

The Company

2015 Retail Bonds - ₱24.0 billion

In August 2015, the Company issued a total of ₱24.0 billion bonds, broken down into ₱10.5 billion 5-year, ₱8.5 billion 7-year and ₱5.0 billion 12-year bonds at annual fixed interest rates ranging from 4.47% to 6.02%.

2013 Retail Bonds - ₱8.0 billion

In November 2013, the Company issued a total of ₱8.0 billion bonds, broken down into ₱6.2 billion 7-year and ₱1.8 billion 10-year bonds at fixed interest rates ranging from 4.41% to 4.62%.

The 2015- and 2013-issued retail bonds have been rated PRS Aaa by the Philippine Rating Services Corporation (PhilRatings).

The principal amount of the above bonds shall be payable on a lump sum basis on the respective maturity date at its face value.These bonds may be redeemed in advance by the Company based on stipulated early redemption option dates and on agreed early redemption price.

TPI

In December 2016, TPI executed and availed a US$623.5 million syndicated bridge loan facility to partially finance the GNPower acquisition. The loan is unsecured and bears a floating interest rate based on a credit spread over applicable LIBOR, repriced every 30 days. The loan will mature on the second anniversary of the initial drawdown date, with an option for a one-year extension.

TVI

On June 18, 2015, TVI entered into an omnibus agreement with local banks for a project loan facility with an aggregate principal amount of ₱31.97 billion. As of December 31, 2016, ₱27.57 billion has been drawn from the loan facility.

The loan is available in two tranches, as follows:

- Tranche A, in the amount of ₱25.97 billion, with interest rate fixed for the first eight years and will be repriced and fixed for another seven years.
- Tranche B, in the amount of ₱6.00 billion, with a fixed interest rate for fifteen years.

70% of the principal amount of the loan is payable in 22 equal semi-annual installments starting July 2019, with the remaining 30% payable in full on the final maturity date. TVI may prepay the loan in part or in full beginning on the end of the fourth year from the initial advance or on the project completion date, whichever is earlier. Any prepayment shall be subject to a certain percentage of prepayment penalty on the principal to be prepaid.

The loan is secured by a mortgage of all its assets with carrying amount of ₱29.0 billion as of December 31, 2016, and a pledge of TVI's shares of stock held by its shareholders.

GMCP

On January 18, 2010, GMCP entered into offshore and onshore facility agreements with China Development Bank Corporation (Offshore Loan) as well as BDO, Bank of the Philippine Islands (BPI), China Banking Corporation, Security Bank Corporation, and Standard Chartered Bank - Singapore (collectively for the Onshore Loan) which was fully drawn in 2012. The proceeds of the loan were used solely for the payment of Project Costs.

GMCP also entered into a facility agreement with BDO to finance GMCP's working capital requirements.

As of December 31, 2016, GMCP's assets with carrying amount of ₱45.33 billion are pledged as collateral.

Loans payable consist of the following dollar denominated loans as of December 31, 2016:

	Amount	Interest Rate Per Annum	Payment Schedule
Offshore Loan	**$385,880,000**	7.65%	24 semi-annual payments from the 1st business day following the Loan Conversion Date
Onshore Loans - Tranche A	**34,416,563**	(i) 7.10% until the 5th anniversary of the closing date; (ii) LIBOR* plus applicable margin of 2.5% or 3% from the 5th anniversary of the closing date until the maturity date	17 semi-annual payments from the 1st business day following the Loan Conversion Date
Onshore Loans - Tranche B	**105,093,437**	From July 8, 2010 until the Onshore Maturity Date, interest rate is LIBOR* plus 3%	17 semi-annual payments from the 1st business day following the Loan Conversion Date
Working Capital	**20,000,000**	LIBOR plus 2.5% applicable margin	Payable within three months
Total borrowings	**545,390,000**		
Less unamortized portion of deferred financing costs	**(24,188,090)**		
Add unamortized portion of derivative asset	**10,285,846**		
	531,487,756		
Less current portion	**80,274,335**		
Loans payable - net of current portion	**$451,213,421**		

As of December 31, 2016, all of GMCP's assets are pledged as collateral.

TSI

On October 14, 2013, TSI entered into an omnibus agreement with local banks for a project loan facility with an aggregate principal amount of ₱24.0 billion, which was fully drawn in 2014.

On October 28, 2015, TSI entered into an additional loan agreement with principal amount of ₱1.68 billion. As of December 31, 2015, ₱1.20 billion has been drawn from the loan facility.

The loan is secured by a mortgage of all its assets with carrying amount of ₱38.03 billion as of December 31, 2016, and a pledge of TSI's shares of stock held by AP and TPI.

Interest rate ranging from 4.50% - 5.14% is fixed for the first seven years and will be repriced and fixed for another five years. Fifty percent of the principal amount of the loan is payable at semi-annual installments within 12 years with a two-year grace period, with the remaining 50% payable in full on the final maturity date.

TSI may prepay the loan in part or in full beginning on the end of the third year from the initial advance or on the project completion date, whichever is earlier. Any prepayment shall be subject to a certain percentage of prepayment penalty on the principal to be prepaid.

APRI

On February 29, 2016, APRI entered into an omnibus agreement for a multi-tranche facility (Climate Bonds) with BPI, Asian Development Bank (ADB) and Credit Guarantee and Investment Facility (CGIF). The Climate Bonds had been certified to have met the requirements of the Climate Bond Standard. The loan proceeds were used for return of equity to shareholders and to fund necessary operating and capital expenditures.

The loan is available in two tranches, as follows:

a. The Notes Facility Agreement, in the amount of ₱10.7 billion, with interest rate already fixed for ten years. 41.6% of the principal amount is payable in ten equal semi-annual installments and the balance payable in another ten semi-annual installments;
b. The ADB Facility Agreement, in the amount of ₱1.8 billion, with interest rate fixed for five years and principal repayments made in ten equal semi-annual installments.

The loan is secured by mortgage of its assets with carrying amount of ₱26.22 billion as of December 31, 2016, and pledge of APRI's shares of stock held by shareholders and assignment of Project Agreements and Project Accounts.

AP

2014 Retail Bonds - ₱10.0 billion

In September 2014, AP issued a total of ₱10.0 billion bonds, broken down into a ₱6.6 billion 7-year bond due 2021 at an annual fixed rate equivalent to 5.21% and a ₱3.4 billion 12-year bond due 2026 at an annual fixed rate equivalent to 6.10%. The bonds have been rated PRS Aaa by PhilRatings.

The principal amount of the bonds shall be payable on a lump sum basis on the respective maturity date at its face value.These bonds may be redeemed in advance by AP based on stipulated early redemption option dates and on agreed early redemption price.

Hedcor Bukidnon

On September 22, 2015, Hedcor Bukidnon entered into an omnibus agreement with local banks for a project loan facility with an aggregate principal amount of up to ₱10.00 billion. As of December 31, 2016, ₱5.68 billion has been drawn from the loan facility based on the agreed schedule.

The first principal repayment of this 15-year loan will take place 42 months after the financial close, or six months after project completion. Principal repayments shall be made in equal semi-annual installments starting March 2019, with a balloon payment not to exceed 30% of the loan amount. Interest rate on the loan is computed at the time of each drawdown, as designated under the agreement.

The loan is secured by an assignment of trade receivables, a pledge of all issued share capital of Hedcor Bukidnon, and corporate suretyship from AP to guarantee the debt service until (a) project completion and (b) receipt of Feed-In-Tariff payments or contracting power supply agreements equivalent to at least the break-even capacity.

Hedcor Sibulan

On November 17, 2016, Hedcor Sibulan entered into a Notes Facility Agreement (NFA) with various institutions with Metrobank - Trust Banking Group as the Notes Facility Agent, for a loan facility with an aggregate principal amount of up to ₱4.10 billion to return equity to shareholders, and for other general corporate purposes.

The unsecured notes were issued in ten tranches with interest payable semi-annually at annual fixed rates ranging from 4.05% - 5.42% with principal maturity as follows:

Tranche	Maturity Date	Principal Amount
1	Fifteen months from issue date	₱96.8 million
2	Two (2) years from issue date	₱96.8 million
3	Three (3) years from issue date	₱84.0 million
4	Four (4) years from issue date	₱84.0 million
5	Five (5) years from issue date	₱284.0 million
6 (Series A&B)	Six (6) years from issue date	₱388.4 million
7 (Series A&B)	Seven (7) years from issue date	₱445.8 million
8	Eight (8) years from issue date	₱451.4 million
9	Nine (9) years from issue date	₱508.1 million
10 (Series A&B)	Ten (10) years from issue date	₱1,660.7 million

Prior to maturity date, Hedcor Sibulan may redeem in whole or in part the relevant outstanding notes on any interest payment date plus a one percent prepayment penalty.

PILMICO

2015 Fixed Rate Corporate Note

PILMICO availed ₱1.0 billion and ₱500 million loans from the NFA it signed on May 5, 2015, with Land Bank of the Philippines as the Note Holder on May 11, 2015 and July 13, 2015, respectively. As provided for in the NFA, the 12-year corporate notes are issued as an exempt security pursuant to Section 9.2 of RA No. 8799 and Rule 9.2(2)(B) of the amended implementing rules of the Securities Regulation Code (SRC).

2012 Fixed Rate Corporate Notes

On October 4, 2012, PILMICO availed ₱1.4 billion loan from the NFA it signed on September 25, 2012, with LBP as the Note Holder. The NFA provided for the issuance of 5-year corporate notes in a private placement to not more than 19 institutional investors pursuant to Section 9.2 of the SRC and Rule 9.2(2) of the SRC Rules.

PILMICO may early redeem in whole or in part the relevant outstanding notes on any interest payment date without premium or penalty. If prepayment is made on a different date, a certain fee shall be charged on the principal to be prepaid.

PANC

2016 Fixed Rate Corporate Notes- ₱700 million (new loan)

On December 29, 2016, PANC availed of a total of ₱700 million loan from NFA signed on December 28, 2016 with Security Bank Corporation as Note Holder.

2014 Fixed Rate Corporate Notes- ₱2.0 billion

On September 22, 2014, PANC availed of a total of ₱2.0 billion loan from NFA signed on September 17, 2014 with LBP as Note Holder.

The 2016 and 2014 notes are redeemable on a lump sum basis on the respective maturity dates at its face value. PANC may early redeem in whole or in part the relevant outstanding notes on any interest payment date without premium or penalty. If prepayment is made on a different date, a certain fee shall be charged on the principal to be prepaid.

2011 Fixed Rate Corporate Notes
On April 7, 2011, PANC availed of a total of ₱600 million loan from the NFA it signed on April 5, 2011, with Australia and New Zealand Banking Group Limited as Issue Manager, Security Bank Corporation - Trust Division as Notes Facility Agent and with the Initial Note Holders.

In April 2016, the loan was fully paid upon maturity.

Aseagas
Within the period June 2014 to September 2015, Aseagas availed of ₱2.0 billion loan from the Notes Facility and Security Agreement (NFSA) it signed on June 5, 2014 with Development Bank of the Philippines. The NFSA provided for the issuance of 12-year corporate notes subject to a fixed interest rate ranging from 4.66% to 5.06% for the first seven years and to be repriced and fixed for the remaining five years. Principal repayments are due every six months.

In April 2016, Aseagas obtained an additional loan from DBP amounting to ₱500.0 million with the same terms as the first loan. Interest rate on the new loan is fixed at 4.75%.

The loan is secured with assigned receivables which Aseagas is obliged to deliver to the bank within six months from the start of its commercial operations or on agreed dates.

VECO
On December 20, 2013, VECO availed of ₱2.0 billion from the NFA it signed on December 17, 2013 with the Land Bank of the Philippines (LBP). The unsecured notes were issued in ten tranches of ₱200 million with interest payable semi-annually at fixed annual rates ranging from 3.50% - 4.81% and principal amortized as follows:

Tranche	Maturity Date	Principal Repayment Amount
A, B	December 20, 2014 and 2015	₱200M balloon payment on maturity date
C	December 20, 2016	₱1M each on first 2 years; ₱198M on maturity date
D	December 20, 2017	₱1M each on first 3 years; ₱197M on maturity date
E	December 20, 2018	₱1M each on first 4 years; ₱196M on maturity date
F	December 20, 2019	₱1M each on first 5 years; ₱195M on maturity date
G	December 20, 2020	₱1M each on first 6 years; ₱194M on maturity date
H	December 20, 2021	₱1M each on first 7 years; ₱193M on maturity date
I	December 20, 2022	₱1M each on first 8 years; ₱192M on maturity date
J	December 20, 2023	₱1M each on first 9 years; ₱191M on maturity date

VECO may early redeem in whole or in part the relevant outstanding notes on any interest payment date without premium or penalty. If prepayment is made on a different date, a certain fee shall be charged on the principal to be prepaid.

LHC
On April 24, 2012, LHC entered into an omnibus agreement with Philippine National Bank and Banco De Oro to borrow a 10-year loan amounting to US$43.1 million with maturity on April 26, 2022 and payable in 20 semi-annual installments. Interest is repriced and paid semi-annually. Annual interest rate ranges from 2.00% to 2.75% in 2016 and 2.38% to 2.56% in 2015.

Intangible asset arising from service concession arrangement with carrying value of ₱2.39 billion as of December 31, 2016, was used as collateral to secure LHC's long-term debts (see Note 14).

DLP

On December 20, 2013, DLP availed of ₱1.5 billion from the NFA it signed on December 17, 2013 with LBP. The unsecured notes were issued in ten tranches of ₱150.0 million with interest payable semi-annually at annual fixed rates ranging from 3.50% - 4.81% and principal amortized as follows:

Tranche	Maturity Date	Principal Repayment Amount
A, B	December 20, 2014 and 2015	₱150M balloon payment on maturity date
C	December 20, 2016	₱0.75M each on first 2 years; ₱148.5M on maturity date
D	December 20, 2017	₱0.75M each on first 3 years; ₱147.8M on maturity date
E	December 20, 2018	₱0.75M each on first 4 years; ₱147M on maturity date
F	December 20, 2019	₱0.75M each on first 5 years; ₱146.2M on maturity date
G	December 20, 2020	₱0.75M each on first 6 years; ₱145.5M on maturity date
H	December 20, 2021	₱0.75M each on first 7 years; ₱144.8M on maturity date
I	December 20, 2022	₱0.75M each on first 8 years; ₱144M on maturity date
J	December 20, 2023	₱0.75M each on first 9 years; ₱143.2M on maturity date

DLP may early redeem in whole or in part the relevant outstanding notes on any interest payment date without premium or penalty. If prepayment is made on a different date, a certain fee shall be charged on the principal to be prepaid.

HI

On August 6, 2013, HI availed of a ten-year ₱900 million loan from a local bank. This loan is subject to a semi-annual principal payment with annual interest fixed at 5.25% for the first 5 years. For the remaining five years, interest rate will be repriced and fixed on the fifth anniversary from the drawdown date. The debt is secured by a pledge of HI's shares of stock held by ARI.

SEZ

On July 7, 2011, SEZ issued ₱565.0 million worth of fixed-rate notes to MBTC. Interest on the notes is subject to quarterly payment at annual fixed interest rates ranging from 5.61% - 6.06%. Principal is payable annually over 10 years at an equal amortization of ₱56.5 million.

CLP

On December 20, 2013, CLP availed of ₱300.0 million notes from the NFA it signed on December 17, 2013 with LBP. The unsecured notes were issued in ten tranches of ₱30.0 million with interest payable semi-annually at annual fixed rates ranging from 3.50% - 4.81% and principal amortized as follows:

Tranche	Maturity Date	Principal Repayment Amount
A, B	December 20, 2014 and 2015	₱30M balloon payment on maturity date
C	December 20, 2016	₱0.15M each on first 2 years; ₱29.7M on maturity date
D	December 20, 2017	₱0.15M each on first 3 years; ₱29.6M on maturity date
E	December 20, 2018	₱0.15M each on first 4 years; ₱29.4M on maturity date
F	December 20, 2019	₱0.15M each on first 5 years; ₱29.2M on maturity date
G	December 20, 2020	₱0.15M each on first 6 years; ₱29.1M on maturity date
H	December 20, 2021	₱0.15M each on first 7 years; ₱29M on maturity date
I	December 20, 2022	₱0.15M each on first 8 years; ₱28.8M on maturity date
J	December 20, 2023	₱0.175M each on first 9 years; ₱28.62M on maturity date

Prior to maturity date, CLP may redeem in whole or in part the relevant outstanding notes on any interest payment date without premium or penalty. If it redeems the notes on a date other than an interest payment date, then a certain percentage of prepayment penalty on the principal amount to be prepaid shall be imposed.

ABOITIZLAND

The SBC peso loan is a ten-year loan availed on December 21, 2007. It is subject to 28 quarterly principal amortizations of ₱7.5 million starting at the end of the 13th quarter from initial drawdown date, with the balance of ₱90.0 million payable in full at the end of the 10th year. Interest is payable quarterly at fixed rates ranging from 4.67% to 6.89%.

The SBC dollar loan is a ten-year loan payable in 28 quarterly principal amortizations of US$122 thousand starting at the end of the 13th quarter from initial drawdown date, with the balance of US$1.5 million due in full at the end of the 10th year. Initial drawdown was made on February 2, 2008. Interest is payable and repriced quarterly based on the prevailing 90-day LIBOR plus 1%.

The SBC peso and dollar loans are secured by various lease contract receivables.

CPDC

On October 7, 2013, CPDC availed of ₱600.0 million loan from the NFA it signed on October 3, 2013 with Metrobank and Trust Company (MBTC). The loan is covered by ten fixed-rate promissory notes of ₱60 million each with interest payable semi-annually at rates ranging from 4.12% - 5.11%. It is payable in annual installments of ₱60.0 million starting October 7, 2014 until October 7, 2023.

Prior to maturity date, CPDC may redeem in whole or in part the relevant outstanding notes on the 6th interest payment date, subject to a 1% pretermination fee.

In October 2016, CPDC paid the loan in full.

Long-term debt of Joint Operation (see Note 9)

This pertains to TPI's share of the outstanding project debt of its joint operation.

In May 2014, PEC entered into an Omnibus Agreement with various local banks for a loan facility in the aggregate principal amount of up to ₱33.31 billion with maturity period of 15 years. The loan is subject to a semi-annual interest payment at annual fixed rates ranging from 4.70% - 6.68%.

The loans may be voluntarily prepaid in full or in part commencing on and from the third year of the date of initial drawdown with a prepayment penalty.

The loans are secured by a mortgage of all its assets with carrying amount of ₱26.70 billion as of December 31, 2016, and a pledge of the shares of stock held by the joint operators.

Loan covenants

The loan agreements on long-term debts of the Group provide for certain restrictions with respect to, among others, mergers or consolidations or other material changes in their ownership, corporate set-up or management, investment and guaranties, incurrence of additional debt, disposition of mortgage of assets, payment of dividends, and maintenance of financial ratios at certain levels.

These restrictions and requirements were complied with by the Group as of December 31, 2016 and 2015.

20. **Customers' Deposits**

	2016	2015
Transformers	**₱2,906,116**	₱2,500,344
Bill and load	**2,193,781**	2,337,976
Lines and poles	**1,731,345**	1,607,907
Others	**209,105**	135,232
	₱7,040,347	₱6,581,459

Transformers and lines and poles deposits are obtained from certain customers principally as cash bond for their proper maintenance and care of the said facilities while under their exclusive use and responsibility. These deposits are non-interest bearing and are refundable only after their related contract is terminated and the assets are returned to the Group in their proper condition and all obligations and every account of the customer due to the Group shall have been paid.

Bill deposit serves to guarantee payment of bills by a customer which is estimated to equal one month's consumption or bill of the customer.

Both the Magna Carta and Distribution Services and Open Access Rules (DSOAR) also provide that residential and non-residential customers, respectively, must pay a bill deposit to guarantee payment of bills equivalent to their estimated monthly billing. The amount of deposit shall be adjusted after one year to approximate the actual average monthly bills. A customer who has paid his electric bills on or before due date for three consecutive years, may apply for the full refund of the bill deposit, together with the accrued interests, prior to the termination of his service; otherwise, bill deposits and accrued interests shall be refunded within one month from termination of service, provided all bills have been paid.

In cases where the customer has previously received the refund of his bill deposit pursuant to Article 7 of the Magna Carta, and later defaults in the payment of his monthly bills, the customer shall be required to post another bill deposit with the distribution utility and lose his right to avail of the right to refund his bill deposit in the future until termination of service. Failure to pay the required bill deposit shall be a ground for disconnection of electric service.

Interest expense on customers' deposits amounted to ₱2.5 million in 2016, ₱4.2 million in 2015, and ₱8.5 million in 2014 (see Note 35).

The Group classified customers' deposits under noncurrent liabilities due to the expected long-term nature of these accounts.

Other customer deposits pertain mainly to deposits from real estate buyers.

21. **Asset Retirement Obligation**

Asset retirement obligation includes the estimated costs to decommission, abandon and perform surface rehabilitation on a subsidiary's steam field assets at the end of their useful lives, and the best estimate of the expenditure required to settle the obligation to decommission power plant at the end of its lease term (see Note 13).

	2016	2015
Balances at beginning of year	**₱3,016,528**	₱2,353,250
Acquisition of subsidiaries (see Note 9)	**334,812**	–
Change in accounting estimate	**(1,627,192)**	560,754
Accretion of decommissioning liability (see Note 34)	**97,429**	102,524
Balances at end of year	**₱1,821,577**	₱3,016,528

The actual dismantling and removal cost could vary substantially from the above estimate because of new regulatory requirements, changes in technology, increased cost of labor, materials, and equipment or actual time required to complete all dismantling and removal activities. Adjustment, if any, to the estimated amount will be recognized prospectively as they become known and reliably estimable.

22. **Finance Lease**

TLI

TLI was appointed by PSALM as Administrator under the IPP Administration Agreement, giving TLI the right to receive, manage and control the capacity of the power plant for its own account and at its own cost and risk; and the right to receive the transfer of the power plant at the end of the IPP Administration Agreement for no consideration.

In view of the nature of the IPP Administration Agreement, the arrangement has been accounted for as a finance lease. Accordingly, TLI recognized the capitalized asset and related liability of ₱44.79 billion (equivalent to the present value of the minimum lease payments using TLI's incremental borrowing rates of 10% and 12% for dollar and peso payments, respectively) in the financial statement as "Power plant" and "Finance lease obligation" accounts, respectively (see Notes 3 and 13). The discount determined at inception of the agreement is amortized over the period of the IPP Administration Agreement and is recognized as interest expense in the consolidated statement of income. Interest expense in 2016, 2015 and 2014 amounted to ₱4.70 billion, ₱5.29 billion and ₱5.29 billion, respectively (see Note 35).

Future minimum monthly dollar and peso payments under the IPP Administration Agreement and their present values as of December 31, 2016 and 2015 are as follows:

December 31, 2016

	Dollar payments	Peso equivalent of dollar payments[1]	Peso payments	Total
Within one year	**$82,500**	**₱4,101,900**	**₱3,960,000**	**₱8,061,900**
After one year but not more than five years	**378,000**	**18,794,160**	**18,144,000**	**36,938,160**
More than five years	**380,000**	**18,893,600**	**18,240,000**	**37,133,600**
Total contractual payments	**840,500**	**41,789,660**	**40,344,000**	**82,133,660**
Unamortized discount	**285,051**	**14,172,757**	**15,620,699**	**29,793,456**
Present value	**555,449**	**27,616,903**	**24,723,301**	**52,340,204**
Less current portion				**2,968,491**
Noncurrent portion of finance lease obligation				**₱49,371,713**

December 31, 2015

	US dollar payments	Philippine peso equivalent of dollar payments[2]	Philippine peso payments	Total
Within one year	$82,500	₱3,882,450	₱3,960,000	₱7,842,450
After one year but not more than five years	468,000	22,024,080	22,464,000	44,488,080
More than five years	380,000	17,882,800	18,240,000	36,122,800
Total contractual payments	930,500	43,789,330	44,664,000	88,453,330
Unamortized discount	342,392	16,112,978	18,671,498	34,784,476
Present value	588,108	27,676,352	25,992,502	53,668,854
Less current portion				2,583,754
Noncurrent portion of finance lease obligation				₱51,085,100

[1]USD1= ₱49.72

[2]USD1= ₱47.06

23. Capital Stock

Information on the Company's authorized capital stock follows:

	Number of Shares
Authorized capital stock:	
Common shares, ₱1 par value	9,600,000,000
Preferred shares, ₱1 par value	400,000,000

Outstanding capital stock are as follows:

	Number of Shares	
	2016	2015
Common shares issued	**5,694,599,621**	5,694,599,621
Less treasury shares	**60,807,064**	140,332,814
Balance at end of year	**5,633,792,557**	5,554,266,807

On November 16, 1994, the Company listed with the Philippine Securities Exchange (PSE) its 3,650,385,204 common shares with a par value of ₱1.00 per share to cover the initial public offering (IPO) of 821,486,204 common shares at an offer price of ₱5.70 per share. Gross proceeds from this issuance of new shares amounted to ₱4.6 billion. Transaction costs incidental to the IPO totaling ₱528.0 million were charged against "Additional paid-in capital" in the parent company balance sheet.

On May 23, 1995 and August 30, 1996, the Company distributed 20% stock dividend equivalent to 730.08 million shares and 30% stock dividend equivalent to 1.31 billion shares, respectively. Both stock dividends were issued at ₱1.00 per share. At the end of 1996, common shares issued totaled 5.69 billion.

The preferred shares are non-voting, non-participating, non-convertible, cumulative re-issuable and redeemable and may be issued from time to time by the BOD in one or more series and fixed before issuance thereof, the number of shares in each series, and all designations, relative rights, preferences and limitations of the shares in each series. Preferred shares that are redeemed by the Company may be re-issued.

There were no preferred shares issued as of December 31, 2016 and 2015.

As of December 31, 2016, and 2015, the Company has 9,177 and 9,328 shareholders, respectively.

Treasury Shares

As of December 31, 2016 and 2015, AEV shares bought into treasury totaled 60.8 million and 140.3 million with corresponding acquisition costs of ₱521.1 million and ₱1.1 billion, respectively. In 2016, 79.5 million shares costing ₱544.5 million were sold for ₱5.9 billion while 15.7 million shares costing ₱112.8 million were sold for ₱885.3 million in 2015.

24. Retained Earnings

On March 8, 2016, the BOD approved the following:

a. Declaration of a regular cash dividend of ₱1.06 per share (₱5.89 billion) to all stockholders of record as of March 22, 2016. These dividends were paid on April 19, 2016.

b. Appropriation of ₱2.72 billion of the retained earnings as of December 31, 2015 for the funding of the estimated ₱1.0 billion purchase price adjustment on the acquisition of the Philippine business of Lafarge S.A. and for additional capital infusion into the following investees to finance their respective business expansion projects or ongoing plant construction (amounts in thousand pesos):

Investee	Project to be Funded	Board Approval Date	Estimated Project Start Date	Estimated Project Completion Date	Appropriation (in thousands)
AboitizLand, Inc. and Subsidiaries	Land acquisition	July 2013	First quarter of 2014	End of 4th quarter of 2017	₱500,000
Apo Agua Infrastructura, Inc.	Plant construction	December 2015	July 2016	Start of 1st quarter of 2019	622,000
Aseagas, Inc.	Plant construction	March 2016	August 2014	Start of 3rd quarter 2016	345,000
PETNET, Inc.	Business expansion	May 2015	June 2015	December 2016	250,000
					₱1,717,000

On March 10, 2015, the BOD approved the declaration of a regular cash dividend of ₱1.11 per share (₱6.15 billion) to all stockholders of record as of March 24, 2015. These dividends were paid on April 20, 2015.

On March 11, 2014, the BOD approved the declaration of a regular cash dividend of ₱1.27 per share (₱7.01 billion) and a special cash dividend of ₱0.53 a share (₱2.93 billion) to all stockholders of record as of March 25, 2014. These dividends were paid on April 22, 2014.

As mentioned in Note 19, the Company shall not permit its DE ratio to exceed 3:1 calculated based on the Company's year-end debt and consolidated equity.

The balance of retained earnings includes the accumulated equity in net earnings of subsidiaries, associates and joint arrangements amounting to ₱95.9 billion and ₱83.9 billion as at December 31, 2016 and 2015, respectively. Such amounts are not available for distribution until such time that the Company receives the dividends from the respective subsidiaries, associates and joint arrangements (see Note 10).

25. **Revenues**

a. Sale from Distribution of Power

The Uniform Rate Filing Requirements (UFR) on the rate unbundling released by the ERC on October 30, 2001 specified that the billing for sale and distribution of power and electricity will have the following components: Generation Charge, Transmission Charge, System Loss Charge, Distribution Charge, Supply Charge, Metering Charge, the Currency Exchange Rate Adjustment and Interclass and Lifeline Subsidies. National and local franchise taxes, the Power Act Reduction (for residential customers) and the Universal Charge are also separately indicated in the customer's billing statements.

Pursuant to Section 43(f) of Republic Act (R.A.) No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA), and Rule 15, section 5(a) of its Implementing Rules and Regulations (IRR), the ERC promulgated the Distribution Wheeling Rates Guidelines on December 10, 2004. These were subsequently updated and released on July 26, 2006 as the Rules for Setting Distribution Wheeling Rates (RDWR) for Privately Owned Utilities entering Performance Based Regulation (PBR).

Details of the PBR regulatory period and the date of implementation of the approved rates are as follows:

	CLP	DLP	VECO	SEZ
Current regulatory period	April 1, 2009 to March 31, 2013	July 1, 2010 to June 30, 2014	July 1, 2010 to June 30, 2014	October 1, 2011 to September 30, 2015
Date of implementation of approved distribution supply and metering charges	May 1, 2009	August 1, 2010	August 1, 2010	November 26, 2011

Total sale from distribution of power amounted to ₱44.6 billion, ₱41.4 billion and ₱40.0 billion in 2016, 2015 and 2014, respectively.

b. Sale from Generation of Power and Retail Electricity

Certain subsidiaries are trading participants and direct members under the generator sector of the WESM. These companies are allowed to access the WESM Market Management System through its Market Participant Interface (MPI). The MPI is the facility that allows the trading participants to submit and cancel bids and offers, and to view market results and reports. Under its price determination methodology as approved by the ERC, locational marginal price method is used in computing prices for energy bought and sold in the market on a per node, per hour basis. In the case of bilateral power supply contracts, however, the involved trading participants settle directly with their contracting parties.

Total sale of power to WESM amounted to ₱2.9 billion, ₱4.6 billion and ₱5.8 billion in 2016, 2015 and 2014, respectively.

Certain subsidiaries were issued a FIT Certificate of Compliance from the ERC which entitles them to avail the FIT rate. These subsidiaries also signed agreements with the National Transmission Corporation (NTC), the FIT administrator. These agreements enumerate the rights and obligations under the FIT rules and FIT-All guidelines, in respect to the full payment of the actual energy generation of the generator, at a price equivalent to the applicable FIT rate, for the entire duration of its FIT eligibility period.

Total sale of power under power supply agreements amounted to ₱32.9 billion in 2016, ₱28.8 billion in 2015 and ₱31.1 billion in 2014.

Certain subsidiaries have negotiated contracts with contestable customers. These contracts provide supply and delivery of electricity where capacity fees, fixed operating fees and energy fees are at fixed price/kwh or time of use.

Total sale of power under retail electricity supply agreements amounted to ₱8.5 billion, ₱10.2 billion and ₱9.7 billion in 2016, 2015 and 2014, respectively.

c. Real estate revenues consist of the following:

	2016	2015	2014
Real estate sales	**₱1,700,479**	₱2,042,335	₱2,115,442
Rental income	**419,297**	385,029	430,233
Power and electricity (see Note 9)	**–**	–	562,608
Service fees and others	**321,078**	305,514	159,458
	₱2,440,854	₱2,732,878	₱3,267,741

26. **Purchased Power**

Distribution
DLP, VECO, CLP and MEZ entered into contracts with NPC/PSALM for the purchase of electricity. The material terms of the contract are as follows:

	Term of Agreement with NPC/PSALM	Contract Energy (megawatt hours/year)
DLP	Ended in December 2015; 1-year extension	944,384
VECO	Ended in December 2014	898,632
CLP	Ended in December 2015	131,292
MEZ	Ten years; ended in September 2015	114,680

The Group's distribution utilities also entered into Transmission Service Agreements with NGCP for the transmission of electricity.

Total power purchases from the NPC/PSALM and NGCP, net of discounts, amounted to ₱7.5 billion in 2016, ₱9.5 billion in 2015 and ₱13.2 billion in 2014. The outstanding payable to the NPC/PSALM and NGCP on purchased power, presented as part of the "Trade and other payables" account in the consolidated balance sheets amounted to ₱694.2 million and ₱760.3 million as of December 31, 2016 and 2015, respectively (see Note 18).

Generation
Purchased power takes place during periods when power generated from power plants are not sufficient to meet customers' required power as stated in the power supply contracts. Insufficient supply of generated energy results from the shutdowns due to scheduled maintenance or an emergency situation. The Group purchases power from Wholesale Electricity Spot Market (WESM) to ensure uninterrupted supply of power and meet the requirements in the power supply contracts. Total purchases from WESM amounted to ₱1.4 billion in 2016, ₱1.2 billion in 2015 and ₱1.8 billion in 2014.

The Group entered into Replacement Power Contracts with certain related parties (see Note 34). Under these contracts, the Group supplies power to counterparties when additional power is needed. Correspondingly, when faced with energy shortfalls, the Group purchases power from counterparties.

Retail Electricity Supply
AESI pays PSALM monthly generation payments using the formula specified in the IPP Administration Agreement. Total generation payments to PSALM amounted to ₱1.9 billion in 2016 and ₱1.8 billion in 2015.

27. Costs and Expenses

Cost of generated power consists of:

	2016	2015	2014
Fuel costs	**₱12,211,477**	₱13,598,737	₱15,146,281
Steam supply costs (see Note 38)	**4,108,576**	3,956,979	4,935,022
Energy fees	**627,751**	684,279	688,059
Ancillary charges	**340,869**	262,536	240,502
Wheeling expenses	**27,599**	21,528	27,794
	₱17,316,272	₱18,524,059	₱21,037,658

Cost of goods sold consists of:

	2016	2015	2014
Raw materials used, purchases and changes in biological assets and inventories (see Notes 6 and 8)	**₱17,065,443**	₱16,659,858	₱13,772,752
Direct labor (see Note 28)	**194,453**	143,320	90,423
Manufacturing overhead			
Depreciation (see Note 13)	**427,462**	352,639	267,591
Power	**299,942**	260,419	1,804
Repairs and maintenance	**216,502**	162,956	121,590
Indirect labor (see Note 28)	**203,257**	128,345	113,308
Fuel and lubricants	**80,142**	85,519	62,789
Outside services	**76,686**	68,293	39,352
Toll milling expenses	**54,406**	57,185	15,780
Freight and handling	**48,004**	39,878	40,359
Taxes and licenses	**35,547**	34,698	31,155
Insurance	**32,178**	26,050	17,448
Medicines and vaccines	**28,397**	24,227	20,127
Pest control	**15,342**	9,749	12,200
Employees' benefits (see Notes 28 and 30)	**14,817**	8,169	7,354
Royalty fee	**13,565**	7,890	6,854
Rental	**9,992**	5,707	9,419
Office and general supplies	**9,476**	16,634	11,035
Others	**114,778**	78,772	19,939
	1,680,493	1,367,130	798,104
Cost of goods manufactured	**18,940,389**	18,170,308	14,661,279
Finished goods inventory (see Note 6)			
Beginning of year	**307,657**	148,457	209,968
End of year	**(361,857)**	(307,657)	(148,487)
	₱18,886,189	₱18,011,108	₱14,722,760

Operating expenses consist of:

	2016	2015	2014
Depreciation and amortization (see Notes 13, 15 and 16)	**₱6,357,313**	₱4,528,558	₱4,852,625
Personnel (see Notes 28 and 30)	**5,206,478**	4,467,203	3,231,198
Outside services (see Note 38)	**1,736,952**	1,703,314	1,264,148
Taxes and licenses	**1,613,411**	1,196,605	996,557
Insurance	**876,943**	763,939	750,562
Repairs and maintenance	**954,531**	744,056	767,591
Freight and handling	**660,208**	633,102	584,233
Provision for impairment of trade receivables (see Note 5)	**22,284**	526,055	595,127
Fuel and lubricants	**312,044**	427,829	256,348
Transportation and travel	**416,030**	382,333	365,671
Advertising	**349,366**	320,348	248,978
Management and professional fees (see Note 34)	**320,176**	308,654	520,034
Rent (see Note 36)	**295,615**	293,705	202,357
Commissions	**132,469**	145,553	71,597
Utilities	**116,685**	102,330	47,425
Training and development	**163,375**	98,866	80,451
Others	**1,653,302**	1,329,589	2,549,018
	₱21,187,182	₱17,972,039	₱17,383,920

Other operating expenses consist of miscellaneous items, the most significant of which are materials and supplies.

Overhead expenses consist of:

	2016	2015	2014
Depreciation and amortization (see Notes 13, 15 and 16)	**₱44,615**	₱42,796	₱40,681
Personnel (see Notes 28 and 30)	**38,143**	30,138	26,944
Repairs and maintenance	**9,630**	12,258	11,191
Fuel	**8,918**	9,805	14,240
Insurance	**4,106**	4,628	5,663
Rent	**1,940**	1,709	2,014
Others	**2,319**	2,198	8,056
	₱109,671	₱103,532	₱108,789

Other overhead expenses include training costs for aircraft personnel.

Sources of depreciation and amortization are as follows:

	2016	2015	2014
Property, plant and equipment (see Note 13)	**₱6,431,338**	₱4,465,223	₱4,701,973
Intangible asset - service concession rights (see Note 15)	**199,342**	338,031	318,175
Bearer biological assets (see Notes 8 and 16)	**63,614**	43,200	41,037
Other intangible assets (see Note 16)	**135,101**	109,854	99,712
	₱6,829,395	₱4,956,308	₱5,160,897

28. **Personnel Expenses**

	2016	2015	2014
Salaries and wages	**₱4,107,494**	₱3,491,083	₱2,802,440
Employee benefits (see Note 30)	**1,160,292**	1,056,870	828,864
	₱5,267,786	₱4,547,953	₱3,631,304

29. **Other Income - net**

	2016	2015	2014
Surcharges	**₱403,730**	₱342,871	₱348,970
Change in fair value of biological assets (see Note 8)	**388,218**	425,720	609,456
Gain on step-acquisition (see Note 9)	**350,939**	–	–
Net unrealized fair valuation gains (see Note 36)	**166,476**	186,512	15,000
Non-utility operating income	**94,916**	114,108	179,478
Rental income (see Note 34)	**1,499**	29,155	33,676
Dividend income	**250**	1,810	89
Gain on redemption of shares (see Note 10)	**16,051**	–	4,904
Impairment loss on goodwill (see Note 12)	**(169,469)**	–	–
Gain (loss) on sale of:			
Stock investments (see Notes 9 and 10)	**–**	–	636,044
Property, plant and equipment	**(50,125)**	(71,402)	15,958
AFS investments	**25,105**	–	(23)
Foreign exchange losses – net (see Note 35)	**(40,877)**	(959,461)	(199,324)
Others – net	**1,314,313**	154,697	262,302
	₱2,501,026	₱224,010	₱1,906,530

Surcharges represent late payment charges of a certain percentage on previous unpaid bills of customers of distribution utilities.

Included in "Net Foreign exchange gains (losses)" are the net gains and losses relating to currency forward transactions (see Note 35). "Others" comprise non-recurring items like sale of scrap and sludge oil, provision on impairment of assets and reversal of provisions. In 2016, "Others" also include income arising from the proceeds from claims of liquidating damages from contractor due to the delay in the completion of TSI's power plant amounting to ₱785.4 million.

30. Defined Retirement Benefit Plans

Under the existing regulatory framework, Republic Act 7641, otherwise known as *The Retirement Pay Law*, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity. It further states that the employees' retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The Company and its subsidiaries have funded, noncontributory, defined retirement benefit plans ("Plan") covering all regular and full-time employees and requiring contributions to be made to separately administered funds. The retirement benefit fund ("Fund") of each subsidiary is in the form of a trust being maintained and managed by AEV, under the supervision of the Board of Trustees (BOT) of the Plan. The BOT, whose members are also corporate officers, is responsible for the investment of the Fund assets. Taking into account the Plan's objectives, benefit obligations and risk capacity, the BOT periodically defines the investment strategy in the form of a long-term target structure.

The following tables summarize the components of net benefit expense recognized in the consolidated statements of income and the funded status and amounts recognized in the consolidated balance sheets for the respective plans.

Net benefit expense (recognized as part of personnel costs under operations)

	2016	2015	2014
Retirement expense recognized in the consolidated statements of income:			
Service cost	**₱287,742**	₱357,728	₱283,973
Net interest cost	**32,726**	(1,076)	(15)
	₱320,468	₱356,652	₱283,958

	2016	2015	2014
Remeasurement gains (losses) recognized in the statements of comprehensive income:			
Actuarial gains (losses) on defined benefit plan	**(₱54,403)**	₱34,364	₱220,806
Return (loss) on assets excluding amount included in net interest cost	**77,411**	(160,325)	(5,016)
	₱23,008	(₱125,961)	₱215,790

Net pension liabilities

	2016	2015
Present value of obligation	**₱3,386,386**	₱2,916,534
Fair value of plan assets	**(3,153,951)**	(2,267,709)
Pension liability	**₱232,435**	₱648,825

Changes in the present value of the defined benefit obligation are as follows:

	2016	2015
At January 1	**₱2,916,534**	₱2,511,539
Net benefit costs in the consolidated statements of income		
Current service costs	**284,078**	364,804
Interest cost	**147,822**	104,313
Past service costs	**3,665**	(7,076)
Benefits paid	**(129,174)**	(115,383)
Transfers and others	**17,866**	(35,082)
Remeasurements in other comprehensive income:		
Actuarial losses due to experience adjustments	**126,982**	377,622
Actuarial gains due to changes in financial assumptions	**(72,579)**	(411,986)
	54,403	(34,364)
Acquisition of subsidiaries (see Note 9)	**91,192**	127,783
At December 31	**₱3,386,386**	₱2,916,534

Changes in the fair value of plan assets are as follows:

	2016	2015
At January 1	**₱2,267,709**	₱2,095,327
Actual contributions	**729,668**	228,451
Acquisition of subsidiaries (see Note 9)	**74,413**	124,503
Interest income included in net interest cost	**115,097**	105,389
Actual return excluding amount included in net interest cost	**77,411**	(160,325)
Transfers	**17,866**	(25,477)
Benefits paid	**(128,213)**	(100,159)
At December 31	**₱3,153,951**	₱2,267,709

Changes in net pension liability recognized in the consolidated balance sheets are as follows:

	2016	2015
At January 1	**₱648,825**	₱416,212
Contribution to retirement fund	**(729,668)**	(228,451)
Retirement expense for the year	**320,468**	356,652
Actuarial loss (gain) recognized for the year	**(23,008)**	125,961
Transfers	**–**	(9,605)
Benefits paid from Group operating funds	**(961)**	(15,224)
Acquisition of subsidiaries	**16,779**	3,280
At December 31	**₱232,435**	₱648,825

The fair value of plan assets by each class as at the end of the reporting period are as follows:

	2016	2015
Cash and fixed-income investments	**₱2,052,718**	₱1,617,549
Equity instruments		
Financial institution	**200,507**	172,687
Power	**176,674**	117,423
Holding	**213,415**	107,832
Others	**409,975**	120,923
Government and other debt securities	**100,662**	131,295
Fair value of plan assets	**₱3,153,951**	₱2,267,709

All equity and debt instruments held have quoted prices in active market. The remaining plan assets do not have quoted market prices in active market.

The plan assets have diverse investments and do not have any concentration risk.

The principal assumptions used as of December 31, 2016, 2015 and 2014 in determining pension benefit obligations for the Group's plans are shown below:

	2016	2015	2014
Discount rate	3.61% - 5.60%	4.91% - 5.72%	4.2% - 7.02%
Salary increase rate	6%	6%	7%

The sensitivity analysis below has been determined based on reasonable possible changes of each significant assumption on the defined benefit obligation as of December 31, 2016 and 2015, assuming all other assumptions were held constant:

December 31, 2016

	Increase (decrease) in basis points	**Effect on defined benefit obligation**
Discount rates	100	**(₱253,755)**
	(100)	**405,781**
Future salary increases	100	**403,120**
	(100)	**(275,707)**

December 31, 2015

	Increase (decrease) in basis points	Effect on defined benefit obligation
Discount rates	100	(₱161,609)
	(100)	204,466
Future salary increases	100	196,544
	(100)	(111,333)

The defined retirement benefit plans are funded by the Company and its subsidiaries. The Group expects to contribute approximately ₱572.1 million to the retirement benefit funds in 2017.

The average durations of the defined benefit obligation as of December 31, 2016 and 2015 are 11.84 - 28.76 years and 11.84 - 29.23 years, respectively.

The Board of Trustees reviews the performance of the plans on a regular basis. It assesses whether the retirement plans will achieve investment returns which, together with contributions, will be sufficient to pay retirement benefits as they fall due. The Group also reviews the solvency position of the different member companies on an annual basis and estimates, through the actuary, the expected contribution to the Plan in the subsequent year.

31. **Income Taxes**

The provision for (benefit from) income tax consists of:

	2016	**2015**	2014
Current			
Corporate income tax	**₱4,518,530**	₱4,630,846	₱3,489,165
Final tax	**240,238**	188,998	95,709
	4,758,768	4,819,844	3,584,874
Deferred	**(469,105)**	(495,025)	441,452
	₱4,289,663	₱4,324,819	₱4,026,326

A reconciliation of the statutory income tax rate with the Group's effective income tax rates follows:

	2016	2015	2014
Statutory income tax rate	**30.00%**	30.00%	30.00%
Tax effects of:			
Nontaxable equity in net earnings of associates and joint ventures	**(8.79)**	(7.19)	(7.88)
Tax-deductible lease payments	**(7.84)**	(8.87)	(7.58)
Non-deductible interest expense	**5.48**	6.70	6.68
Income subject to ITH	**(5.33)**	(6.48)	(7.04)
Interest income subjected to final tax at lower rates - net	**(1.06)**	(0.98)	(0.21)

(Forward)

	2016	2015	2014
Non-deductible depreciation expense	**1.00**	1.19	1.19
Gain on sale of investments already subjected to final tax	**(0.12)**	–	(0.69)
Non-deductible impairment provisions	**(0.07)**	1.04	0.04
Others	**(0.25)**	0.33	0.08
	13.02%	15.74%	14.59%

Net deferred income tax assets at December 31 relate to the following:

	2016	2015
Deferred income tax assets:		
Tax effects of items in other comprehensive income	**₱150,966**	₱204,279
Unrealized foreign exchange loss	**1,254,213**	63,603
Allowances for impairment and probable losses	**274,326**	288,145
Unamortized contributions for past service	**121,119**	72,496
MCIT	**11,148**	15,698
Accrued retirement benefits	**737**	4,247
NOLCO	**–**	2,913
Others	**516,004**	137,334
	2,328,513	788,715
Deferred income tax liabilities:		
Pension asset	**76,910**	47,334
Consumable biological assets	**35,039**	34,984
Unrealized foreign exchange gain	**2,738**	506
Others	**6,567**	6,342
	121,254	89,166
	₱2,207,259	₱699,549

Net deferred income tax liabilities at December 31 relate to the following:

	2016	2015
Deferred income tax liabilities:		
Unamortized franchise	**₱840,796**	₱997,395
Unrealized gain on investment property	**715,504**	487,664
Percentage-of-completion recognition of real estate sales and related costs	**171,049**	108,660
Unrealized foreign exchange gains	**63,753**	105,693
Unamortized customs duties and taxes capitalized	**61,849**	47,932
Others	**35,705**	100,208
	1,888,656	1,847,552
Deferred income tax assets:		
Tax effects of items in other comprehensive income	**(14,443)**	12,671
NOLCO	**195,204**	103,670
Allowances for:		
Impairment and probable losses	**55,564**	43,522
Inventory obsolescence	**1,975**	2,262
Unamortized past service cost	**19,606**	19,175
MCIT	**12,581**	17,618
Unrealized foreign exchange losses	**7,650**	6,573
Others	**43,108**	34,155
	321,245	239,646
	₱1,567,411	₱1,607,906

In computing for deferred income tax assets and liabilities, the tax rates used were 30% and 10%, which are the rates expected to apply to taxable income in the years in which the deferred income tax assets and liabilities are expected to be recovered or settled and considering the tax rate for renewable energy developers as allowed by the Renewable Energy Act of 2008.

The Company did not recognize its deferred income tax assets on NOLCO generated in 2016 and 2015 amounting to ₱1.1 billion and ₱743.1 million, respectively, and on MCIT paid in 2016 and 2015 amounting to ₱21.4million and ₱13.9 million, respectively. Likewise, AP parent company did not recognize its deferred income tax assets on NOLCO amounting to ₱228.1 million and ₱436.9 million as of December 31, 2016 and 2015, respectively, and on MCIT amounting to ₱43.8 million and ₱26.3 million as of December 31, 2016 and 2015, respectively.

Management of both entities expect that no sufficient taxable income will be generated in the future to allow all of the corresponding deferred income tax assets to be utilized.

There are no income tax consequences to the Group attaching to the payment of dividends to its shareholders.

32. **Earnings per Common Share**

Earnings per common share amounts were computed as follows:

	2016	2015	2014
a. Net income attributable to equity holders of the parent	**₱22,473,458**	₱17,679,116	₱18,380,620
b. Weighted average number of common shares issued and outstanding	**5,595,028**	5,551,617	5,530,226
c. Earnings per common share (a/b)	**₱4.017**	₱3.184	₱3.324

There are no dilutive potential common shares as of December 31, 2016, 2015 and 2014.

33. **Operating Segment Information**

Operating segments are components of the Group that engage in business activities from which they may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group's CODM to make decisions about how resources are to be allocated to the segment and assess their performances, and for which discrete financial information is available.

For purposes of management reporting, the Group's operating businesses are organized and managed separately according to services provided, with each segment representing a strategic business segment. The Group's identified operating segments, which are consistent with the segments reported to the BOD, the Group's CODM, are as follows:

- power segment, which is engaged in power generation and sale of electricity;
- food manufacturing segment, which is engaged in the production of flour and feeds and swine breeding;
- financial services segment, which is engaged in banking and money remittance operations;
- real estate segment, which is engaged in real property development for sale and lease;
- infrastructure segment, which is engaged in the production of cement and other building materials and in the supply of treated bulk water; and
- the parent company and others, which include the operations of the Company and the service provider subsidiaries that cater mainly to the Group.

The Group has only one geographical segment as the bulk of its assets are located in the Philippines. The Group operates and derives principally all of its revenue from domestic operations. Thus, geographical business information is not required.

Management monitors the operating results of its segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment revenue and segment expenses are measured in accordance with PFRS. The presentation and classification of segment revenue and segment expenses are consistent with the consolidated statement of income. Interest expense and financing charges, depreciation and amortization expense and income taxes are managed on a per segment basis.

The Group has inter-segment revenues in the form of management fees as well as inter-segment sales of electricity and other services which are eliminated in consolidation. The transfers are accounted for at competitive market prices on an arm's-length basis.

Segment assets do not include deferred income tax assets, pension asset and other noncurrent assets. Segment liabilities do not include deferred income tax liabilities, income tax payable and pension liability. Capital expenditures consist of additions of property, plant and equipment and intangible asset - service concession rights. Adjustments as shown below include items not presented as part of segment assets and liabilities.

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Group, and that the revenue can be reliably measured. Sale of power to Manila Electric Company accounted for 36%, 38% and 36% of the power generation revenues of the Group in 2016, 2015, and 2014, respectively. There is no concentration of significant customers on any of the segments.

Financial information on the operations of the various business segments are summarized as follows:

	2016							
	Power	Financial Services	Food Manufacturing	Real Estate	Infrastructure	Parent Company and Others	Eliminations	Consolidated
REVENUES								
Third parties	**₱88,992,097**	**₱550,347**	**₱23,702,446**	**₱2,440,854**	**₱–**	**₱729,336**	**₱–**	**₱116,415,080**
Inter-segment	**171,172**	**–**	**–**	**–**	**–**	**851,413**	**(1,022,585)**	**–**
Total revenue	**₱89,163,269**	**₱550,347**	**₱23,702,446**	**₱2,440,854**	**₱–**	**₱1,580,749**	**(₱1,022,585)**	**₱116,415,080**
RESULTS								
Segment results	**₱26,310,300**	**(₱67,207)**	**₱2,101,337**	**₱245,577**	**(₱10,565)**	**₱88,458**	**₱253,139**	**₱28,921,039**
Unallocated corporate income (expenses)	**1,669,212**	**85,684**	**493,150**	**6,245**	**1**	**499,874**	**(253,139)**	**2,501,027**
INCOME FROM OPERATIONS								**31,422,066**
Interest expense	**(7,704,011)**	**(7,046)**	**(296,344)**	**(5,366)**	**–**	**(1,571,520)**	**16,290**	**(9,567,997)**
Interest income	**1,083,535**	**1,526**	**64,393**	**22,668**	**662**	**285,424**	**(21,276)**	**1,436,932**
Share in net earnings of associates and joint ventures	**3,641,210**	**4,913,926**	**–**	**(3,232)**	**1,101,394**	**17,384,303**	**(17,385,814)**	**9,651,787**
Provision for income tax	**(3,496,140)**	**(16,250)**	**(626,833)**	**(25,464)**	**(132)**	**(124,844)**	**–**	**(4,289,663)**
NET INCOME								**₱28,653,125**
OTHER INFORMATION								
Segment assets	**₱73,649,187**	**₱1,044,046**	**₱7,863,363**	**₱5,777,703**	**₱106,810**	**₱18,062,204**	**(₱924,487)**	**₱105,578,826**
Investments and advances	**30,595,989**	**30,183,220**	**–**	**1,487,299**	**24,919,655**	**97,268,613**	**(97,504,315)**	**86,950,461**
Unallocated corporate assets	**250,531,059**	**181,305**	**7,165,361**	**8,042,819**	**108,058**	**5,355,296**	**163,865**	**271,547,763**
Consolidated total assets								**₱464,077,050**
Segment liabilities	**₱241,201,028**	**₱226,242**	**₱10,689,191**	**₱5,074,129**	**₱23,772**	**₱32,125,426**	**(₱1,258,683)**	**₱288,081,105**
Unallocated corporate liabilities	**1,945,775**	**243,259**	**68,830**	**446,523**	**–**	**(104,062)**	**–**	**2,600,325**
Consolidated total liabilities								**₱290,681,430**
Capital expenditures	**₱28,203,292**	**₱35,693**	**₱1,792,762**	**₱593,616**	**₱83,358**	**₱316,078**	**₱–**	**₱31,024,799**
Depreciation and amortization	**₱6,043,527**	**₱31,253**	**₱534,042**	**₱66,845**	**₱355**	**₱153,373**	**₱–**	**₱6,829,395**

2015	Power	Financial Services	Food Manufacturing	Real Estate	Infrastructure	Parent Company and Others	Eliminations	Consolidated
REVENUES								
Third parties	₱85,072,152	₱306,677	₱22,768,473	₱2,732,878	₱–	₱379,788	₱–	₱111,259,968
Inter-segment	101,800	–	–	–	–	969,954	(1,071,754)	–
Total revenue	₱85,173,952	₱306,677	₱22,768,473	₱2,732,878	₱–	₱1,349,742	(₱1,071,754)	₱111,259,968
RESULTS								
Segment results	₱24,686,577	(₱27,183)	₱2,104,899	₱484,682	(₱2,360)	(₱42,746)	₱214,531	₱27,418,400
Unallocated corporate income (expenses)	(336,639)	53,871	501,230	106,642	–	113,437	(214,531)	224,010
INCOME FROM OPERATIONS								27,642,410
Interest expense	(6,633,858)	(6,090)	(248,779)	(49,899)	–	(942,940)	–	(7,881,566)
Interest income	846,293	1,132	45,487	36,562	386	202,141	–	1,132,001
Share in net earnings of associates and joint ventures	3,979,947	2,533,581	–	(1,497)	75,491	15,943,715	(15,941,785)	6,589,452
Provision for income tax	(3,589,669)	(5,736)	(685,085)	4,132	(77)	(48,384)	–	(4,324,819)
NET INCOME								₱23,157,478
OTHER INFORMATION								
Segment assets	₱70,409,021	₱1,009,831	₱8,601,197	₱6,237,888	₱70,191	₱11,383,619	(₱678,328)	₱97,033,419
Investments and advances	22,551,845	25,813,716	–	1,490,531	23,818,261	91,188,162	(91,427,454)	73,435,061
Unallocated corporate assets	149,528,380	179,504	5,811,722	6,955,600	14,188	6,637,345	522,642	169,649,383
Consolidated total assets								₱340,117,863
Segment liabilities	₱138,399,444	₱180,213	₱10,311,032	₱4,713,271	₱11,410	₱36,841,079	(₱643,877)	₱189,812,572
Unallocated corporate liabilities	2,476,235	188,278	189,274	475,562	–	(8,500)	–	3,320,849
Consolidated total liabilities								₱193,133,421
Capital expenditures	₱15,701,414	₱40,236	₱1,948,168	₱319,303	₱2,848	₱1,502,040	₱–	₱19,514,009
Depreciation and amortization	₱4,322,000	₱11,920	₱433,363	₱40,128	₱5	₱148,892	₱–	₱4,956,308

2014	Power	Financial Services	Food Manufacturing	Real Estate	Parent Company and Others	Eliminations	Consolidated
REVENUES							
Third parties	₱86,340,289	₱–	₱18,364,704	₱3,267,741	₱1,894,556	₱–	₱109,867,290
Inter-segment	419,097	–	–	–	807,241	(1,226,338)	–
Total revenue	₱86,759,386	₱–	₱18,364,704	₱3,267,741	₱2,701,797	(₱1,226,338)	₱109,867,290
RESULTS							
Segment results	₱22,350,758	₱–	₱1,307,297	₱657,304	₱26,713	₱203,658	₱24,545,730
Unallocated corporate income (expenses)	581,927	–	607,991	20,074	900,196	(203,658)	1,906,530
INCOME FROM OPERATIONS							26,452,260
Interest expense	(5,994,097)	–	(160,814)	(45,948)	(495,586)	–	(6,696,445)
Interest income	471,915	–	17,270	22,225	79,726	–	591,136
Share in net earnings of associates and joint ventures	4,009,488	3,243,902	–	(7,992)	14,881,387	(14,882,544)	7,244,241
Provision for income tax	(3,424,089)	–	(480,960)	(77,130)	(44,147)	–	(4,026,326)
NET INCOME							₱23,564,866
OTHER INFORMATION							
Segment assets	₱56,726,089	₱–	₱7,968,619	₱6,607,461	₱7,903,047	(₱324,503)	₱78,880,713
Investments and advances	24,816,278	26,307,238	–	1,492,028	83,851,069	(84,199,303)	52,267,310
Unallocated corporate assets	135,218,653	–	3,470,332	5,745,741	5,413,896	(88)	149,848,534
Consolidated total assets							₱280,996,557
Segment liabilities	₱118,420,852	₱–	₱8,497,988	₱4,409,160	₱12,035,139	(₱298,738)	₱143,064,401
Unallocated corporate liabilities	2,259,729	–	148,637	546,087	42,739	–	2,997,192
Consolidated total liabilities							₱146,061,593
Capital expenditures							₱16,651,075
Depreciation and amortization	₱4,643,300	₱–	₱341,727	₱21,899	₱153,971	₱–	₱5,160,897

34. **Related Party Disclosures**

Parties are considered to be related if one party has the ability to control, directly or indirectly, the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

In the normal course of business, the Group enters into transactions with related parties, principally consisting of the following:

a. Service contracts of certain associates with AEV or AP at fees based on agreed rates. Professional and technical fees paid by these associates and joint ventures to AEV and AP totaled ₱655.1 million, ₱327.9 million and ₱194.7 million in 2016, 2015 and 2014, respectively.

b. Cash deposits and placements with UBP. At prevailing rates, the deposits and money market placements earned interest income amounting to ₱308.5 million, ₱135.8 million and ₱236.7 million in 2016, 2015 and 2014, respectively.

c. Aviation services rendered by AEV Aviation to ACO and certain associates. Total aviation service income generated from these related parties amounted to ₱11.0 million in 2016 and 2015 and ₱13.0 million in 2014.

d. Lease of commercial office units by ACO and certain associates from CPDC for a period of three years. Rental income amounted to ₱6.7 million in 2016, ₱5.8 million in 2015 and ₱5.4 million in 2014.

e. Purchase of lots for residential and commercial project development by AboitizLand from ACO in 2012. The purchase was for a total consideration of ₱595.8 million, a portion of which was paid upon execution of the Contract to Sell. The remaining balance is payable on quarterly installments for the next 10 years. The current and noncurrent portion of the related liability amounted to ₱47.2 million and ₱245.3 million, respectively, as at December 31, 2016, and to ₱66.6 million and ₱300.8 million, respectively, as at December 31, 2015 (see Note 18).

f. Power sales to and purchases from certain associates and joint ventures based on the Group's power supply and purchase agreements, respectively (see Note 38).

g. Services rendered by Aboitiz Construction, Inc. (ACI), a wholly owned subsidiary of ACO, to the Group for various construction projects.

The above transactions are settled in cash.

Significant outstanding account balances with related parties as of December 31, 2016 and 2015 are as follows:

Revenue - Management, Professional and Technical Fees

	Revenue			Accounts Receivable			
	2016	2015	2014	**2016**	2015	Terms	Conditions
Ultimate Parent							
ACO	**₱19,145**	₱8,898	₱–	**₱727**	₱1,141	30-day; interest-free	Unsecured; no impairment
Associates and Joint Ventures							
RCBM (see Note 10)	**327,203**	85,800	–	**66,339**	85,800	30-day; Interest-free	Unsecured; no impairment
CEDC	**103,945**	110,157	66,935	**17,895**	14,997	30-day; interest-free	Unsecured; no impairment
RCMI (see Note 10)	**76,462**	19,450	–	**15,497**	19,450	30-day; interest-free	Unsecured; no impairment
SFELAPCO	**58,119**	76,088	90,432	**21,827**	58,936	30-day; interest-free	Unsecured; no impairment
RCII (see Note 10)	**49,767**	13,650	–	**10,086**	13,650	30-day; interest-free	Unsecured; no impairment
RP Energy	**5,882**	–	23,612	**260**	8	30-day; Interest-free	Unsecured; no impairment
SNAP-Magat	**5,806**	1,531	2,120	**177**	682	30-day; interest-free	Unsecured; no impairment
SNAP-Benguet	**5,630**	1,692	1,641	**177**	711	30-day; interest-free	Unsecured; no impairment
MORE	**2,863**	2,037	2,420	**595**	889	30-day; interest-free	Unsecured; no impairment
SNAP-Generation	**206**	43	–	**–**	155	30-day; interest-free	Unsecured; no impairment
UBP	**67**	540	852	**211**	3,498	30-day; interest-free	Unsecured; no impairment
EAUC (see Note 10)	**–**	6,305	6,668	**–**	2,010	30-day; interest-free	Unsecured; no impairment
CSB	**–**	1,570	–	**–**	932	30-day; interest-free	Unsecured; no impairment
CSB Land, Inc.	**–**	142	–	**–**	84	30-day; interest-free	Unsecured; no impairment
	₱655,095	₱327,903	₱194,680	**₱133,791**	₱202,943		

Cash Deposits and Placements with UBP

	Interest Income			Outstanding Balance			
	2016	2015	2014	**2016**	2015	Terms	Conditions
AP	**₱251,694**	₱99,911	₱196,532	**₱9,601,952**	₱8,174,890	90 days or less; interest-bearing	No impairment
AEV	**33,942**	11,371	19,745	**540,487**	777,265	90 days or less; interest-bearing	No impairment
PILMICO	**11,935**	9,940	8,800	**309,435**	852,076	90 days or less; interest-bearing	No impairment
AIPL	**4,728**	4,992	4,006	**382,162**	179,550	90 days or less; interest-bearing	No impairment
AboitizLand	**2,680**	6,677	6,743	**245,742**	216,746	90 days or less; interest-bearing	No impairment
ASEAGAS	**1,718**	1,484	177	**–**	358,105	90 days or less; interest-bearing	No impairment
AEV AVIATION	**621**	439	445	**53,092**	64,224	90 days or less; interest-bearing	No impairment
CPDC	**439**	538	216	**88,468**	25,203	90 days or less; interest-bearing	No impairment
Petnet	**319**	56	–	**49,16**	3,092	90 days or less; interest-bearing	No impairment
APO Agua	**231**	386	–	**55,220**	69,165	90 days or less; interest-bearing	No impairment
ABOITIZ INFRACAPITAL	**166**	–	–	**50,760**	–	90 days or less; interest-bearing	No impairment
	₱308,473	₱135,794	₱236,664	**₱11,376,481**	₱10,720,316		

Revenue - Aviation Services

	Revenue			Accounts Receivable			
	2016	2015	2014	**2016**	2015	Terms	Conditions
Associates and Joint Ventures							
SNAP-Magat	**₱6,511**	₱5,584	₱6,893	**₱80**	₱788	30-day; interest-free	Unsecured; no impairment
SNAP-Benguet	**2,363**	1,261	1,024	**–**	229	30-day; interest-free	Unsecured; no impairment
UBP	**1,633**	1,763	1,501	**559**	413	30-day; interest-free	Unsecured; no impairment
SNAP-Generation	**98**	2,368	3,561	**–**	1,056	30-day; interest-free	Unsecured; no impairment
	₱10,605	₱10,976	₱12,979	**₱639**	₱2,486		

Revenue - Rental

	Revenue			Accounts Receivable			
	2016	2015	2014	**2016**	2015	Terms	
Ultimate Parent							
ACO	**₱3,405**	₱2,644	₱2,344	**₱–**	₱–	30-day; interest-free	Unsecured; no impairment
Associates							
UBP	**3,340**	3,181	3,029	**13**	13	30-day; interest-free	Unsecured; no impairment
EAUC (see Note 10)	**–**	14	–	**–**	3	30-day; interest-free	Unsecured; no impairment
	₱6,745	₱5,839	₱5,373	**₱13**	₱16		

Land Acquisition

	Purchase			Payable			
	2016	2015	2014	**2016**	2015	Terms	Conditions
Ultimate Parent							
ACO	**₱–**	₱–	₱–	**₱245,283**	₱367,400	Quarterly installment	Unsecured

Revenue - Sale of Power

	Revenue (see Note 26)			Receivable			
	2016	2015	2014	**2016**	2015	Terms	Conditions
Associate and Joint Ventures							
SFELAPCO	**₱2,669,036**	₱2,654,128	₱2,567,959	**₱196,912**	₱197,118	30-day; interest-free	Unsecured; no impairment
SNAP-Benguet	**18,291**	–	48,952	**–**	–	30-day; Interest-free	Unsecured; no impairment
SNAP-Magat	**13,868**	–	19,182	**–**	–	30-day; interest-free	Unsecured; no impairment
Investees of ACO							
Tsuneishi Heavy Industries (Cebu), Inc. (THICI)	**545,344**	589,082	616,373	**45,266**	47,822	30-day; interest-free	Unsecured; no impairment
Metaphil International, Inc.	**10,868**	6,722	7,276	**429**	1,088	30-day; interest-free	Unsecured; no impairment
	₱3,257,407	₱3,249,932	₱3,259,742	**₱242,607**	₱246,028		

Cost of Purchased Power

	Purchases (see Note 26)			Payable			
	2016	**2015**	2014	**2016**	2015	Terms	Conditions
Associates and Joint Ventures							
CEDC	**₱4,552,650**	₱276,433	₱285,774	**₱395,904**	₱24,122	30-day; interest-free	Unsecured
SPPC	**328,000**	–	–	**32,900**	–	30-day; interest-free	Unsecured
SNAP-Magat	**219,272**	216,525	–	**21,702**	–	30-day; interest-free	Unsecured
WMPC	**136,500**	–	–	**–**	–	30-day; interest-free	Unsecured
SNAP-Benguet	**–**	84,744	–	**–**	–	30-day; interest-free	Unsecured
EAUC (see Note 10)	**–**	87,411	108,354	**–**	6,328	30-day; interest-free	Unsecured
	₱5,236,422	₱665,113	₱394,128	**₱450,506**	₱30,450		

Capitalized Construction and Rehabilitation Costs

	Purchases			Payable			
	2016	**2015**	2014	**2016**	2015	Terms	Conditions
Fellow Subsidiary							
Aboitiz Construction, Inc.	**₱388,172**	₱–	₱412,980	**₱2,583**	₱–	30-day; interest-free	Unsecured

Notes Receivable

	Interest Income			Receivable			
	2016	2015	2014	**2016**	2015	Terms	Conditions
Joint venture							
SACASUN (see Note 16)	**₱847**	₱–	₱–	**₱2,882,456**	₱–	Loan agreement; interest-bearing	Unsecured

Retirement Benefit Fund

The Company's retirement benefit fund is in the form of a trust being maintained and managed by ACO under the supervision of the BOT of the plan.

The Fund has a carrying amount and a fair value of ₱732.5 million and ₱521.3 million as of December 31, 2016 and 2015, respectively. The assets and investments of the Fund are as follows:

	2016	2015
Cash and fixed-income investments	**₱204,058**	₱247,287
Available-for-sale investments	**529,211**	274,700
	₱733,269	₱521,987

Fixed-income investments represent money market placements with maturities ranging from less than a year up to five years. AFS investments mainly comprise quoted equity securities which are carried at their fair values.

The Company's retirement benefit fund for its employees has investments in the equities of the Company and one of its subsidiaries. The carrying values of these investments as of December 31, 2016 and 2015 and the gains of the Fund arising from such investments for the years then ended are as follows:

	2016		2015	
	Carrying Value	**Gain**	Carrying Value	Gain
AEV common shares	**₱200,465**	**₱6,756**	₱–	₱–
AP common shares	**91,523**	**7,982**	76,180	841

The above investments of the Fund were approved by the BOT. The voting rights over these equity securities are exercised by the chairman of the BOT.

Compensation of Key Management Personnel

	2016	2015	2014
Short-term benefits	**₱239,477**	₱213,607	₱191,919
Post-employment benefits	**15,436**	14,556	9,443
	₱254,913	₱228,163	₱201,362

35. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise of cash and cash equivalents, AFS investments, bank loans, long-term debts, obligations under finance lease and non-convertible, cumulative, redeemable preferred shares. The main purpose of these financial instruments is to raise finances for the Group's operations and its investments in existing subsidiaries and associates and in new projects. The Group has other financial assets and liabilities such as trade and other receivables, trade and other payables and customer deposits which arise directly from operations.

The Group also enters into derivative transactions, particularly foreign currency forwards, to economically hedge its foreign currency risk from foreign currency denominated liabilities and purchases.

Risk Management Structure
The BOD is mainly responsible for the overall risk management approach and for the approval of risk strategies and principles of the Group.

Financial risk committee
The Financial Risk Committee has the overall responsibility for the development of risk strategies, principles, frameworks, policies and limits. It establishes a forum of discussion of the Group's approach to risk issues in order to make relevant decisions.

Treasury service group
The Treasury Service Group is responsible for the comprehensive monitoring, evaluating and analyzing of the Group's risks in line with the policies and limits.

The main risks arising from the Group's financial instruments are interest rate risk resulting from movements in interest rates that may have an impact on outstanding long-term debts; credit risk involving possible exposure to counter-party default on its cash and cash equivalents, AFS investments and trade and other receivables; liquidity risk in terms of the proper matching of the type of financing required for specific investments; and foreign exchange risk in terms of foreign exchange fluctuations that may significantly affect its foreign currency denominated placements and borrowings.

Market Risk

The risk of loss, immediate or over time, due to adverse fluctuations in the price or market value of instruments, products, and transactions in the Group's overall portfolio (whether on or off-balance sheet) is market risk. These are influenced by foreign and domestic interest rates, foreign exchange rates and gross domestic product growth.

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to its long-term debt obligations. To manage this risk, the Group determines the mix of its debt portfolio as a function of the level of current interest rates, the required tenor of the loan, and the general use of the proceeds of its various fund raising activities. As of December 31, 2016, 20.50% of the Group's long-term debt had floating interest rates ranging from 1.65% to 3.0%, and 79.50% are with fixed rates ranging from 3.50% to 7.65%. As of December 31, 2015, 1.69% of the Group's long-term debt had floating interest rates ranging from 1.31% to 2.75%, and 98.31% are with fixed rates ranging from 3.50% to 7.68%.

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

December 31, 2016

	Less than 1 year	**1-5 years**	**More than 5 years**	**Total**
Long-term debts				
Floating rate	**₱1,705,889**	**₱38,308,318**	**₱-**	**₱40,014,207**

December 31, 2015

	Less than 1 year	1-5 years	More than 5 years	Total
Long-term debts				
Floating rate	₱256,763	₱1,404,361	₱7,056	₱1,668,180

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. The other financial instruments of the Group that are not included in the above tables are either fixed-rate or non-interest bearing, and are therefore not subject to interest rate risk. Its derivative assets and liabilities are subject to fair value interest rate risk.

The interest expense recognized during the period is as follows:

	2016	2015	2014
Obligations under finance lease (see Note 22)	**₱4,794,801**	₱5,287,369	₱5,289,650
Long-term debts (see Note 19)	**4,583,953**	2,250,258	1,119,251
Bank loans (see Note 17)	**137,683**	190,568	123,002
Long-term obligation on PDS and others	**49,066**	149,130	156,040
Customers' deposits (see Note 20)	**2,494**	4,241	8,502
	₱9,567,997	₱7,881,566	₱6,696,445

The interest income recognized during the period is as follows:

	2016	2015	2014
Cash and cash equivalents (see Note 4)	**₱1,419,681**	₱1,123,155	₱579,707
Others	**17,252**	8,846	11,429
	₱1,436,933	₱1,132,001	₱591,136

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) as of December 31, 2016, 2015 and 2014:

	Increase (decrease) in basis points	Effect on income before tax
2016	**200**	**(₱800,284)**
	(100)	**400,142**
2015	200	(₱33,364)
	(100)	16,682
2014	200	(₱37,015)
	(100)	18,508

The Group's sensitivity to an increase/decrease in interest rates pertaining to derivative instruments is expected to be insignificant in 2016 and 2015 due to their short-term maturities and immateriality relative to the total assets and liabilities of the Group.

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

Foreign exchange risk
The foreign exchange risk of the Group pertains significantly to its foreign currency denominated borrowings, including obligations under finance lease. To mitigate the risk of incurring foreign exchange losses, foreign currency holdings are matched against the potential need for foreign currency in financing equity investments and new projects. As of December 31, 2016 and 2015, foreign currency denominated borrowings account for 33.75% and 18.5%, respectively, of total consolidated borrowings.

The following table presents the Group's foreign currency denominated assets and liabilities:

	2016		2015	
	US dollar	**Philippine peso Equivalent[1]**	US dollar	Philippine peso Equivalent[2]
Loans and receivables				
Cash and cash equivalents	**$43,569**	**₱2,166,248**	$58,089	₱2,733,648
AFS investments	**6,419**	**319,153**	6,605	310,831
Trade and other receivables	**3,260**	**162,092**	1,425	67,047
Derivative assets	**1,098**	**54,595**	6,570	309,184
Total financial assets	**54,346**	**2,702,088**	72,689	3,420,710
Other financial liabilities				
Bank loans	**7,066**	**351,328**	9,396	442,156
Trade and other payables	**30,731**	**1,527,961**	4,582	215,623
Long-term debts	**625,456**	**31,097,672**	2,445	115,061
Obligations under finance lease	**555,448**	**27,616,875**	588,108	27,676,362
Total financial liabilities	**1,218,701**	**60,593,836**	604,531	28,449,202
Net foreign currency denominated liabilities	**($1,164,355)**	**(₱57,891,748)**	($531,842)	(₱25,028,492)

[1]$1= ₱49.720
[2]$1= ₱47.060

The following table demonstrates the sensitivity to a reasonable possible change in the US dollar exchange rates, with all other variables held constant, of the Group's profit before tax as of December 31, 2016, 2015 and 2014.

	Increase (decrease) in US dollar rate against the Philippine peso	Effect on income before income tax
2016	**US dollar strengthens by 5%**	**(₱2,894,587)**
	US dollar weakens by 5%	**2,894,587**
2015		
	US dollar strengthens by 5%	(₱1,251,425)
	US dollar weakens by 5%	1,251,425
2014		
	US dollar strengthens by 5%	(₱1,261,046)
	US dollar weakens by 5%	1,261,046

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

The following table presents LHC's and GMCP's foreign currency denominated assets and liabilities:

	2016		2015	
	Philippine Peso	**US Dollar Equivalent[1]**	Philippine Peso	US Dollar Equivalent[1]
Loans and receivables:				
Cash and cash equivalents	**₱1,513,927**	**$30,449**	₱36,078	$767
Trade and other receivables	**583,160**	**11,729**	1,525	32
	2,097,087	**42,178**	37,603	799
Other financial liabilities:				
Trade and other payables	**893,586**	**17,973**	245,921	5,226
Net foreign currency denominated assets (liabilities)	**₱1,203,501**	**$24,205**	(₱208,318)	($4,427)

[1]US$1 = ₱49.72
[2]US$1 = ₱47.06

The following tables demonstrate the sensitivity to a reasonable possible change in the US dollar exchange rate in relation to Philippine peso, with all variables held constant, of the Group's income before tax as of December 31:

	Effect on income before tax
2016	
U.S. dollar appreciates against Philippine peso by 5.0%	**($1,216)**
U.S. dollar depreciates against Philippine peso by 5.0%	**1,204**
2015	
U.S. dollar appreciates against Philippine peso by 5.0%	$211
U.S. dollar depreciates against Philippine peso by 5.0%	(233)
2014	
U.S. dollar appreciates against Philippine peso by 5.0%	$204
U.S. dollar depreciates against Philippine peso by 5.0%	(226)

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

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

As of December 31, 2016 and 2015, the Group's exposure to equity price risk is minimal.

Credit Risk
For its cash investments, AFS investments, derivative assets, and receivables, the Group's credit risk pertains to possible default by the counterparty, with a maximum exposure equal to the carrying amount of these financial assets. With respect to cash and AFS investments, the risk is mitigated by the short-term and or liquid nature of its cash investments mainly in bank deposits and placements, which are placed with financial institutions and entities of high credit standing. With respect to receivables, credit risk is controlled by the application of credit approval, limit and monitoring procedures. It is the Group's policy to enter into transactions with a diversity of credit-worthy

parties to mitigate any significant concentration of credit risk. The Group ensures that sales are made to customers with appropriate credit history and has internal mechanism to monitor the granting of credit and management of credit exposures.

Concentration risk
Credit risk concentration of the Group's receivables according to the customer category as of December 31, 2016 and 2015 is summarized in the following table:

	2016	2015
Power distribution:		
Industrial	**₱3,589,973**	₱3,173,687
Residential	**1,324,289**	1,395,502
Commercial	**545,173**	601,065
City street lighting	**31,196**	28,924
Power generation:		
Power supply contracts	**6,945,891**	5,202,474
Spot market	**1,480,162**	1,408,744
Total concentration risk	**₱13,916,684**	₱11,810,396

The above receivables were provided with allowance for doubtful accounts amounting to ₱1.76 billion and ₱1.84 billion as of December 31, 2016 and 2015, respectively (see Note 5).

Maximum exposure to credit risk after collateral and other credit enhancements
The maximum exposure of the Group's financial instruments is equivalent to the carrying values as reflected in the consolidated balance sheets and related notes, except that the credit risk associated with the receivables from customers is mitigated because some of these receivables have collaterals.

Maximum exposure to credit risk for collateralized loans is shown below:

	2016			2015		
	Carrying Value	**Financial Effect of Collateral in Mitigating Credit Risk**	**Maximum Exposure to Credit Risk**	Carrying Value	Financial Effect of Collateral in Mitigating Credit Risk	Maximum Exposure to Credit Risk
Trade receivables:						
Power distribution	**₱5,490,631**	**₱5,490,631**	**₱–**	₱5,199,178	₱5,199,178	₱–

Financial effect of collateral in mitigating credit risk is equivalent to the fair value of the collateral or the carrying value of the loan, whichever is lower.

Credit quality

The credit quality per class of financial assets that are neither past due nor impaired is as follows:

December 31, 2016

	Neither past due nor impaired			Past due or individually impaired	Total
	High grade	Standard grade	Sub-standard grade		
Cash and cash equivalents	**₱63,857,528**	**₱–**	**₱–**	**₱–**	**₱63,857,528**
Restricted Cash	**2,100,611**	**–**	**–**	**–**	**2,100,611**
Trade and other receivables					
Trade receivables					
Power	**9,402,997**	**155,379**	**–**	**4,358,308**	**13,916,684**
Food manufacturing	**84,867**	**765,397**	**348,517**	**649,847**	**1,848,628**
Real estate	**2,361,300**	**214,626**	**455**	**278,784**	**2,855,165**
Holding and others	**1,345,040**	**17,336**	**39,449**	**73,086**	**1,474,911**
Other receivables	**3,520,960**	**56,766**	**504**	**215,388**	**3,793,618**
AFS investments					
Quoted shares of stock	**233,765**	**–**	**–**	**–**	**233,765**
Unquoted shares of stock	**329,983**	**–**	**–**	**–**	**329,983**
Derivative asset	**1,166,187**	**–**	**–**	**–**	**1,166,187**
	₱84,403,238	**₱1,209,504**	**₱388,925**	**₱5,575,413**	**₱91,577,080**

December 31, 2015

	Neither past due nor impaired			Past due or individually impaired	Total
	High grade	Standard grade	Sub-standard grade		
Cash and cash equivalents	₱63,581,884	₱–	₱–	₱–	₱63,581,884
Trade and other receivables					
Trade receivables					
Power	6,860,105	90,163	119,943	4,740,185	11,810,396
Food manufacturing	118,774	708,064	318,933	523,616	1,669,387
Real estate	1,585,983	432,877	–	267,292	2,286,152
Holding and others	668,688	7,552	–	82,289	758,529
Transport services	2,289	–	–	–	2,289
Other receivables	4,418,033	12,767	1,286	136,437	4,568,523
AFS investments					
Quoted shares of stock	325,482	–	–	–	325,482
Unquoted shares of stock	42,234	–	–	–	42,234
Derivative asset	563,366	–	–	–	563,366
	₱78,166,838	₱1,251,423	₱440,162	₱5,749,819	₱85,608,242

High grade - pertain to receivables from customers with good favorable credit standing and have no history of default.

Standard grade - pertain to those customers with history of sliding beyond the credit terms but pay a week after being past due.

Sub-standard grade - pertain to those customers with payment habits that normally extend beyond the approved credit terms, and has high probability of being impaired.

The Group evaluated its cash and cash equivalents as high quality financial assets since these are placed in financial institutions of high credit standing.

With respect to AFS investments and derivative asset, the Group evaluates the counterparty's external credit rating in establishing credit quality.

The aging analysis per class of financial assets that are past due but not impaired is as follows:

December 31, 2016

			Past due but not impaired				
	Total	**Neither past due nor impaired**	**Less than 30 days**	**31 days to 1 year**	**Over 1 year up to 3 years**	**Over 3 years**	**Impaired**
Loans and receivables							
Cash and cash equivalents	**₱63,857,528**	**₱63,857,528**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**
Restricted Cash	**2,100,611**	**2,100,611**	**–**	**–**	**–**	**–**	**–**
Trade and other receivables							
Trade receivables							
Power	**13,916,684**	**9,558,376**	**1,463,997**	**1,132,675**	**–**	**–**	**1,761,636**
Food manufacturing	**1,848,628**	**1,198,781**	**379,608**	**160,934**	**–**	**–**	**109,305**
Real estate	**2,855,165**	**2,576,381**	**–**	**276,491**	**–**	**–**	**2,293**
Holding and others	**1,474,911**	**1,401,825**	**–**	**67,288**	**–**	**–**	**5,798**
Other receivables	**3,793,618**	**3,578,230**	**11,178**	**204,210**	**–**	**–**	**–**
AFS investments							
Quoted shares of stock	**233,765**	**233,765**	**–**	**–**	**–**	**–**	**–**
Unquoted shares of stock	**329,983**	**329,983**	**–**	**–**	**–**	**–**	**–**
Derivative asset	**1,166,187**	**1,166,187**	**–**	**–**	**–**	**–**	**–**
	₱91,577,080	**₱86,001,667**	**₱1,854,783**	**₱1,841,598**	**₱–**	**₱–**	**₱1,879,032**

December 31, 2015

			Past due but not impaired				
	Total	Neither past due nor impaired	Less than 30 days	31 days to 1 year	Over 1 year up to 3 years	Over 3 years	Impaired
Loans and receivables							
Cash and cash equivalents	₱63,581,884	₱63,581,884	₱–	₱–	₱–	₱–	₱–
Trade and other receivables							
Trade receivables							
Power	11,810,396	7,070,211	1,457,571	1,440,989	–	–	1,841,625
Food manufacturing	1,669,387	1,145,771	322,796	73,996	–	–	126,824
Real estate	2,286,152	2,018,860	71,974	193,312	–	–	2,006
Holding and others	758,529	676,240	2,569	8,230	–	–	71,490
Transport services	2,289	2,289	–	–	–	–	–
Other receivables	4,568,523	4,432,086	10,142	126,295	–	–	–
AFS investments							
Quoted shares of stock	325,482	325,482	–	–	–	–	–
Unquoted shares of stock	42,234	42,234	–	–	–	–	–
Derivative asset	563,366	563,366	–	–	–	–	–
	₱85,608,242	₱79,858,423	₱1,865,052	₱1,842,822	₱–	₱–	₱2,041,945

Trade and other receivables that are individually determined to be impaired at the balance sheet date relate to debtors that are in significant financial difficulties and have defaulted on payments and accounts under dispute and legal proceedings.

Liquidity Risk

Liquidity risk is the risk that an entity in the Group will be unable to meet its obligations as they become due. The Group manages liquidity risk by effectively managing its working capital, capital expenditure and cash flows, making use of a centralized treasury function to manage pooled business unit cash investments and borrowing requirements.

Currently, the Group is maintaining a positive cash position, conserving its cash resources through renewed focus on working capital improvement and capital reprioritization. The Group meets its financing requirements through a mixture of cash generated from its operations and short-term and long-term borrowings. Adequate banking facilities and reserve borrowing capacities are maintained.

The Group is in compliance with all of the financial covenants per its loan agreements, none of which is expected to present a material restriction on funding or its investment policy in the near future. The Group has sufficient undrawn borrowing facilities, which could be utilized to settle obligations.

In managing its long-term financial requirements, the policy of the Group is that not more than 25% of long term borrowings should mature in any twelve-month period. As of December 31, 2016 and 2015, the portion of the total long-term debt, inclusive of customers' deposits, that will mature in less than one year is 4.19% and 3.60%, 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 ₱63.9 billion and ₱21.7 billion as of December 31, 2016, respectively and of ₱63.6 billion and ₱18.8 billion as of December 31, 2015, respectively (see Notes 4 and 5). These financial assets will be used to fund short-term and operational liquidity needs of the Group.

The table below analyzes the financial liabilities of the Group into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity. The amounts disclosed in the table are the contractual undiscounted cash flows and include interest.

December 31, 2016

	Total carrying value	Contractual undiscounted payments				
		Total	On demand	Less than 1 year	1-5 years	> 5 years
Financial liabilities:						
Operating						
Trade and other payables*	₱18,757,325	₱18,757,325	₱233,245	18,278,797	231,106	14,177
Customers' deposits	7,040,347	7,040,347	–	–	33,648	7,006,699
Financing						
Bank loans	8,259,028	8,267,154	–	8,267,154	–	–
Long-term debts	195,232,023	220,807,423	–	12,312,633	98,696,279	109,798,511
Obligations under finance lease	52,340,204	82,133,660	–	8,061,900	36,938,160	37,133,600
Long-term obligation on PDS	237,248	440,000	–	40,000	200,000	200,000
Others						
Derivative liabilities	360,877	360,877	–	360,877	–	–
	₱282,227,052	₱337,806,786	₱233,245	₱47,321,360	₱136,099,193	₱154,152,987

*****_Excludes statutory liabilities_

December 31, 2015

	Total carrying value	Contractual undiscounted payments				
		Total	On demand	Less than 1 year	1-5 years	> 5 years
Financial liabilities:						
Operating						
Trade and other payables*	₱15,962,907	₱16,207,170	₱12,771	₱16,194,399	₱–	₱–
Customers' deposits	6,581,459	6,581,459	–	–	49,804	6,531,655
Financing						
Bank loans	8,883,056	8,892,441	–	8,892,441	–	–
Long-term debts	98,547,732	135,781,480	–	8,615,279	59,475,440	67,690,761
Obligations under finance lease	53,668,854	88,453,330	–	7,842,450	34,221,600	46,389,280
Long-term obligation on PDS	247,184	480,000	–	40,000	200,000	240,000
	₱183,891,192	₱256,395,880	₱12,771	₱41,584,569	₱93,946,844	₱120,851,696

**Excludes statutory liabilities*

Capital Management

Capital includes equity attributable to the equity holders of the parent. The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

Certain entities within the Group that are registered with the Board of Investments (BOI) are required to raise a minimum amount of capital in order to avail of their registration incentives. As of December 31, 2016 and 2015, these entities have complied with this requirement as applicable (see Note 37).

The Group monitors capital using a gearing ratio, which is net debt divided by equity plus net debt. The Group's policy is to keep the gearing ratio at 70% or below at the consolidated level. The Group determines net debt as the sum of interest-bearing short-term and long-term obligations (comprised of long-term debts and obligations under finance lease) less cash and short-term deposits.

Gearing ratios of the Group as of December 31, 2016 and 2015 are as follows:

	2016	2015
Bank loans	**₱8,259,028**	₱8,883,056
Long-term obligations	**247,572,227**	152,216,586
Cash and cash equivalents	**(65,957,527)**	(63,581,884)
Net debt (a)	**189,873,728**	97,517,758
Equity	**173,395,621**	146,984,442
Equity and net debt (b)	**₱363,269,349**	₱244,502,200
Gearing ratio (a/b)	**52.27%**	39.88%

Part of the Group's capital management is to ensure that it meets financial covenants attached to long-term borrowings. Breaches in meeting the financial covenants would permit the banks to immediately call loans and borrowings. The Group is in compliance with the financial covenants attached to its long-term debt as of December 31, 2016 and 2015 (see Note 19).

No changes were made in the objectives, policies or processes during the years ended December 31, 2016 and 2015.

Financial and Other Risk Relating to Livestock

The Group is exposed to financial risks arising from the change in cost and supply of feed ingredients and the selling price of hogs, all of which are determined by constantly changing market forces of supply and demand, and other factors. The other factors include environmental regulations, weather conditions and livestock diseases which the Group has little control. The mitigating factors are listed below:

- The Group is subject to risks relating to its ability to maintain animal health status considering that it has no control over neighboring livestock farms. Livestock health problems could adversely impact production and consumer confidence. However, the Group monitors the health of its livestock on a daily basis and proper procedures are put in place.

- The livestock industry is exposed to risk associated with the supply and price of raw materials, mainly grain prices. Grain prices fluctuate depending on the harvest results. The shortage in the supply of grain will result in adverse fluctuation in the price of grain and will ultimately increase production cost. The Group monitors the prices of grains regularly. The formulation of feeds at a least cost being done by the Group considers the appropriate nutrients the hogs need. It is the Group's policy not to enter into forward contracts until a firm commitment is in place.

36. Financial Instruments

Fair Value of Financial Instruments

Fair value is defined as the amount at which the financial instrument could be sold in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced liquidation or sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.

A financial instrument is regarded as quoted in an active market if quoted prices are readily available from an exchange, dealer, broker, pricing services or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. For a financial instrument with an active market, the quoted market price is used as its fair value. On the other hand, if transactions are no longer regularly occurring even if prices might be available and the only observed transactions are forced transactions or distressed sales, then the market is considered inactive. For a financial instrument with no active market, its fair value is determined using a valuation technique (e.g. discounted cash flow approach) that incorporates all factors that market participants would consider in setting a price.

Set out below is a comparison by category of carrying amounts and fair values of the Group's financial instruments whose fair values are different from their carrying amounts.

	2016		2015	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial liabilities				
Obligations under finance lease	**₱52,340,204**	**₱49,699,074**	₱53,668,854	₱56,465,454
Long-term debt - fixed rate	**155,217,817**	**155,854,200**	96,879,552	97,276,291
Long-term obligation on PDS	**237,248**	**414,135**	247,184	414,135
	₱207,795,269	**₱205,967,409**	₱150,795,590	₱154,155,880

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents, trade and other receivables and trade and other payables
The carrying amounts of cash and cash equivalents, trade and other receivables and trade and other payables approximate their fair values due to the relatively short-term maturity of these financial instruments.

Obligations under finance lease
The fair value of the finance lease obligation was calculated by discounting future cash flows using discount rates of 5.83% to 8.43% for dollar payments and 1.78% to 6.57% for peso payments in 2016; and 5.83% to 8.17% for dollar payments and 1.78% to 6.51% for peso payments in 2015. The disclosed fair value is determined using Level 3 inputs.

Fixed-rate borrowings
The fair value of fixed rate interest-bearing loans is based on the discounted value of future cash flows using the applicable rates for similar types of loans. Interest-bearing loans were discounted using credit-adjusted interest rates ranging from 2.47% to 7.20% in 2016 and 1.88% to 6.23% in 2015. The disclosed fair value is determined using Level 3 inputs.

Variable-rate borrowings
Where the repricing of the variable-rate interest-bearing instruments is frequent (i.e., three-month repricing), the carrying value approximates the fair value. Otherwise, the fair value is determined by discounting the principal plus the known interest payment using current market rates.

Long-term obligation on PDS
The fair value of the long-term obligations on PDS is calculated by discounting expected future cash flows at prevailing market rates. Discount rates used in discounting the obligation ranges from 3.83% to 4.47% in 2016 and 2.70% to 4.66% in 2015. The disclosed fair value is determined using Level 3 inputs.

Customers' deposits
The fair value of bill deposits approximate their carrying values as these deposits earn interest at the prevailing market interest rate in accordance with regulatory guidelines. The timing and related amounts of future cash flows relating to transformer and lines and poles deposits cannot be reasonably and reliably estimated for purposes of establishing their fair values using an alternative valuation technique.

AFS investments
The fair values of AFS investments are based on quoted market prices, except for unquoted equity shares which are carried at cost since fair values are not readily determinable.

Derivative asset and liabilities
The fair value is calculated by reference to prevailing interest rate differential and spot exchange rate as of valuation date, taking into account its remaining term to maturity. The Group enters into derivative financial instruments with financial institutions with investment grade credit ratings. Derivative valued using a valuation technique with market observable inputs pertains to a foreign exchange forward contract. The most applied valuation technique is forward pricing. The model incorporates various inputs including the credit quality of counterparty and foreign exchange spot and forward rates.

The Group also entered into an interest rate swap agreement to fully hedge its floating rate exposure on its foreign currency-denominated loan.

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 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 entered into an interest rate swap agreement to fully hedge its floating rate exposure on its foreign currency-denominated loan and par forward contracts to hedge the floating rate exposure on foreign currency-denominated payments.

Interest rate swaps
In August 2012, LHC entered into an interest rate swap agreement effective October 31, 2012 to fully hedge its floating rate exposure on its US dollar denominated loan. Under the interest rate swap agreement, LHC, on a semi-annual basis, pays a fixed rate of 1.505% per annum and receives variable interest at 6-month LIBOR plus margin. The interest payments and receipts are based on the outstanding USD notional amount simultaneous with the interest payments on the hedged loan. Similar with the hedged loan, the interest rate swap has amortizing notional amounts which cover a period up to final maturity. LHC designated the swap as a cash flow hedge.

As of December 31, 2016, the outstanding notional amount and derivative asset as a result of the swap amounted to US$27.7 million and ₱15.2 million, respectively. As of December 31, 2015, the outstanding notional amount and derivative asset as a result of the swap amounted to US$33.1 million and ₱3.4 million, respectively.

GMCP (see Note 9), has an interest rate swap agreement to hedge the variability in the interest cash flows on the entire amount of its Onshore - Tranche B loans (see Note 11). Under the swap agreement, GMCP pays a fixed rate of 4.37% and receives 6-month LIBOR rate, semi-annually from January 29, 2010 until March 29, 2021. GMCP designated the swap as a cash flow hedge.

As of December 31, 2016, the outstanding notional amount and derivative asset as a result of the swap amounted to US$105.1 million and ₱331.0 million, respectively.

Interest rate cap (IRC)
GMCP (see Note 9), has an interest rate cap to hedge the variability in the interest cash flows above a certain maximum interest rate on the outstanding amount of its Onshore - Tranche A loans (see Note 11). The IRC has an outstanding notional amount of US$34.4 million, and a derivative liability amount of ₱19.5 million, as of December 31, 2016. Under the IRC agreement, GMCP will receive an amount based upon the outstanding notional amount and the excess of the 6-month LIBOR over the 2.00% cap rate and pays a fixed interest of 0.69% as a premium for the IRC on each settlement date. If the 6-month LIBOR is below 2.00%, no payment will be received by GMCP. The settlement dates shall be on semi-annual basis from March 29, 2015 until March 29, 2021. GMCP designated the swap as a cash flow hedge.

Prepayment option
GMCP's offshore and onshore loans have embedded prepayment options subject to a 3% prepayment penalty (see Note 11), which was bifurcated and accounted for separately. As of December 31, 2016, the value of the derivative assets related to the embedded prepayment options amounted to ₱874.3 million.

Foreign currency forward contracts
On November 26, 2015, Hedcor Bukidnon entered into a deliverable forward contract to manage its foreign currency risks associated with its Euro denominated purchases. As of December 31, 2016 and 2015, the outstanding sell U.S. Dollar buy Euro forward contract has an aggregate notional of €6.4 million and €7.4 million, respectively. The maturity of the derivatives begins on December 21, 2015 until September 1, 2017.

On November 26, 2015, Hedcor Bukidnon also entered into a non-deliverable forward contract to manage its exposure to exchange rate fluctuations associated with US dollar denominated purchases. As of December 31, 2016 and 2015, the contract has an aggregate notional amount of US$6.9 and US$8.0 million, respectively that will be fully settled within 2017.

Hedcor Bukidnon designated these foreign currency hedging transactions as cash flow hedges.

Par forward contracts
In 2015, TVI entered into par forward contracts to hedge the foreign currency risk arising from the forecasted US Dollar denominated payments under the Engineering Procurement Construction (EPC) contract related to the construction of a power plant. As of December 31, 2016 and 2015, the aggregate notional amount of the par forward contracts is US$47.6 million and US$211.4 million, respectively.

In 2014, the Group's Joint Operation entered into par forward contracts to hedge the foreign currency risk arising from the forecasted US Dollar denominated payments under the EPC contract related to the construction of a power plant. The par forward contracts were designated as cash flow hedges. As of December 31, 2016 and 2015, the aggregate notional amount of the par forward contracts is ₱700.0 million and ₱3.64 billion, respectively.

The movements in fair value changes of all derivative instruments for the year ended December 31, 2016 and 2015 are as follows:

	2016	2015
At beginning of year	**₱563,366**	₱112,544
Additions due to business combination (see Note 9)	**523,752**	–
Net changes in fair value of derivatives designated as accounting hedges	**36,859**	150,474
Net changes in fair value of derivatives not designated as accounting hedges	**(127,039)**	331,291
Fair value of settled instruments	**(191,628)**	(30,943)
At end of year	**₱805,310**	₱563,366

The net gains and losses from the net fair value changes of derivatives not designated as accounting hedges are included as “Foreign exchange losses - net” under “Other income - net”.

The changes in the fair value of derivatives designated as accounting hedges were deferred in equity under “Cumulative translation adjustments.”

The net movement of changes to cumulative translation adjustment is as follows:

	2016	2015
Balance at beginning of year (net of tax)	**₱147,337**	₱81,388
Changes in fair value recorded in equity	**62,586**	150,474
	209,923	231,862
Additions due to business combination (see Note 9)	**(257,500)**	–
Transfers to construction in progress	**(178,646)**	(67,191)
Changes in fair value transferred to profit or loss	**10,191**	18,704
Balance at end of year before deferred tax effect	**(216,032)**	183,375
Deferred tax effect	**39,096**	(36,038)
Balance at end of year (net of tax)	**(₱176,936)**	₱147,337

The Group has not bifurcated any embedded derivatives as of December 31, 2016 and 2015.

Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

As of December 31, 2016 and 2015, the Group held the following financial instruments that are measured and carried or disclosed at fair value:

December 31, 2016

	Total	**Level 1**	**Level 2**	**Level 3**
Carried at fair value:				
AFS investments	**₱233,765**	**₱233,765**	**₱–**	**₱–**
Derivative asset	**1,166,187**	**–**	**1,166,187**	**–**
Derivative liability	**360,877**	**–**	**360,877**	**–**
Disclosed at fair value:				
Obligations under finance lease	**49,699,074**	**–**	**–**	**49,699,074**
Long-term debt - fixed rate	**155,854,200**	**–**	**–**	**155,854,200**
Long-term obligation on PDS	**414,135**	**–**	**–**	**414,135**

December 31, 2015

	Total	Level 1	Level 2	Level 3
Carried at fair value:				
AFS investments	₱325,482	₱325,482	₱–	₱–
Derivative asset	563,366	–	563,366	–
Disclosed at fair value:				
Obligations under finance lease	56,465,454	–	–	56,465,454
Long-term debt - fixed rate	97,276,291	–	–	97,276,291
Long-term obligation on PDS	414,135	–	–	414,135

During the years ended December 31, 2016 and 2015, there were no transfers between level 1 and level 2 fair value measurements and transfers into and out of level 3 fair value measurement.

37. Registrations with the Department of Energy and Board of Investments (BOI)

a. Certain power generation companies in the Group have been registered with the BOI. Accordingly, they are entitled to, among others, ITH incentives covering four (4) to seven (7) years. To be able to avail of the incentives, the companies are required to maintain a minimum equity level. As of December 31, 2016 and 2015, these companies have complied with the requirements.

b. On March 19, 2014, the BOI approved the registration of PANC's swine offsite nursery farm as "expanding producer of hogs" on a nonpioneer status under Omnibus Investment Code of 1987. This registration entitles PANC's swine offsite nursery farm to an ITH for a period of three (3) years form the actual start of commercial operations, in July 2014, whoever comes first, but in no case earlier than the date of registration. As of December 31, 2016, PANC has complied with the terms and conditions indicated in this BOI registration.

c. On October 9, 2015, the BOI approved the registration of Pilmico's feedmill plant expansion as "Expanding Producer of Animal Feeds" (2014-210) on a nonpioneer status under the Omnibus Investment Code of 1987. Said registration entitles PILMICO to an ITH for a period of three years from January 2016 or actual start of commercial operations, whichever is earlier but in no case earlier than the date of registration. As of December 31, 2016, PILMICO has complied with the terms and conditions indicated in this BOI registration.

d. On April 7, 2015, the BOI approved the registration of PANC's poultry layer farm as "New Producer of Table Eggs and By- Products (Culled Chicken and Manure)" on a nonpioneer status under the Omnibus Investment Code of 1987. This registration entitles PANC to an ITH for a period of four years from October 2015 or start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. As of December 31, 2016, PANC has complied with the terms and conditions indicated in this BOI registration.

e. The BOI has also approved AboitizLand's application as a new/expanding developer of low cost mass housing projects. It is entitled to, among others, ITH incentives for a period for three (3) to four (4) years. It is also required to maintain certain equity requirements prior to availment of the incentives. As of December 31, 2016 and 2015, AboitizLand has complied with the requirements.

38. **Rate Regulation, Power Supply and Other Agreements**

a. Certain subsidiaries are subject to the ratemaking regulations and regulatory policies by the Energy Regulatory Commission (ERC).

b. APRI Agreements
Total steam supply cost incurred by APRI, reported as part of "Cost of generated power" amounted to ₱4.1 billion in 2016, ₱4.0 billion in 2015 and ₱4.9 billion in 2014.

Geothermal Resource Sales Contract
On May 26, 2013, APRI's steam supply contract with Chevron Geothermal Philippines Holdings, Inc. (CGPHI) shifted to a GRSC. The change is due to an existing provision under the government's existing contract with CGPHI when the Tiwi-Makban facilities were bidded out under the former's privatization program. Under the GRSC, the effective steam price of APRI payable to CGPHI will be at a premium to coal.

To ensure that APRI will continue to remain competitive in the market, a two-month interim agreement supplementing the GRSC was implemented on August 4, 2013 and extended until February 25, 2015. Upon expiration in 2015, this was further extended until June 25, 2017.

Lease Agreement with PSALM
On May 25, 2009, APRI entered into a lease agreement with PSALM for a parcel of land owned by the latter on which a portion of the assets purchased under the Asset Purchase Agreement is situated. The lease term is for a period of twenty-five (25) years commencing from the Closing Date as defined in the APA which falls on May 25, 2009. The rental fees for the whole term of 25 years amounting to ₱492.0 million were paid in full after the receipt by APRI of the Certificate of Effectivity on the lease. Total land lease charged to operations amounted to ₱19.7 million in 2015, 2014 and 2013.

c. Coal Supply Agreement
TLI enters into short-term coal supply agreements. Outstanding coal supply agreements as of December 31, 2016 have aggregate supply amounts of 510,000 MT (equivalent dollar value is estimated to be at US$42 million) which are due for delivery from January 2017 to August 2017. Terms of payment are by letter of credit where payment is due at sight against presentation of documents, and by telegraphic transfer where payment is due within 7 days from receipt of original invoice

d. Construction of civil works and electro-mechanical works and project management related to the construction of the Tudaya 1 and 2 hydro power plants. Total purchase commitments entered into by the Hedcor Sibulan and Hedcor Tudaya amounted to ₱6.3 million and €0.1 million as of December 31, 2015, respectively, and ₱52.7 million and €2.0 million as of December 31, 2014, respectively. Total payments made for the commitments amounted to ₱5.7 million and ₱49.4 million, as of December 31, 2015 and 2014, respectively.

e. GMCP
In August 2007, a 25-year lease agreement with Authority of the Freeport Area of Bataan for land at Bataan Economic Zone, used as an access road and right of way for electric power transmission lines.

In January 2010, a 50-year land lease agreement with PMR Group Retirement Plan, Inc. (PGRPI), used for its power plant facilities. GMCP, upon mutual agreement of PGRPI, has the right and option to extend the lease for a period of twenty-five years. In August 2016, GMCP entered into another lease agreement with PGRPI for land to be used for staff house.

f. HI, HTI and HSI
HI, HTI and HSI entered into contracts with various lot owners for lease of land where their power plants are located. Terms of contract are for a period of 1 to 25 years renewable upon mutual agreement by the parties.

g. Therma Mobile
Lease agreements with the Philippine Fisheries Development Authority:
- On April 26, 2014, a 10-year lease for portions of the breakwater area of the Navotas Fishport Complex (NFPC), including the mooring facility, marine and land transmission lines and
- On December 1, 2014, a 10-year lease for the ground floor of NFPC’s administrative building

h. EAUC
Lease agreement with PEZA for a piece of land located inside Mactan Economic Zone for its power plant facilities.

Future minimum lease payments under the non-cancellable operating leases of GMCP, HI, HTI, HSI, Therma Mobile and EAUC are as follows (amounts in millions):

	2016	2015
Not later than 1 year	**₱166.9**	₱22.0
Later than 1 year but not later than 5 years	**503.6**	118.2
Later than 5 years	**4,036.5**	204.1

Total lease charged to operations related to these contracts amounted to ₱38.5 million in 2016, ₱33.1 million in 2015, and ₱30.2 million in 2014.

39. Contingencies

The Group is a party to certain proceedings and legal cases with other parties in the normal course of business. The ultimate outcome of these proceedings and legal cases cannot be presently determined. Management, in consultation with its legal counsels, believes that it has substantial legal and factual bases for its positions and is currently of the opinion that the likely outcome of these proceedings and legal cases will not have a material adverse effect on the Group's financial position and operating results. It is possible, however, that the future results of operations could be materially affected by changes in estimates or in the effectiveness of the strategies relating to these proceedings and legal cases.

AP obtained standby letters of credit (SBLC) and is acting as surety for the benefit of certain associates and a subsidiary in connection with loans and credit accommodations. It provided SBLC for STEAG, SNAP M, SNAP B, and CEDC in the amount of ₱1.15 billion in 2016, ₱1.49 billion in 2015 and ₱1.98 billion in 2014.

40. Other Matters

a. Renewable Energy Act of 2008

On January 30, 2009, R.A. No. 9513, *An Act Promoting the Development, Utilization and Commercialization of Renewable Energy Resources and for Other Purposes*, which shall be known as the "Renewable Energy Act of 2008" (the Act), became effective. The Act aims to (a) accelerate the exploration and development of renewable energy resources such as, but not limited to, biomass, solar, wind, hydro, geothermal and ocean energy sources, including hybrid systems, to achieve energy self-reliance, through the adoption of sustainable energy development strategies to reduce the country's dependence on fossil fuels and thereby minimize the country's exposure to price fluctuations in the international markets, the effects of which spiral down to almost all sectors of the economy; (b) increase the utilization of renewable energy by institutionalizing the development of national and local capabilities in the use of renewable energy systems, and promoting its efficient and cost-effective commercial application by providing fiscal and non-fiscal incentives; (c) encourage the development and utilization of renewable energy resources as tools to effectively prevent or reduce harmful emissions and thereby balance the goals of economic growth and development with the protection of health and environment; and (d) establish the necessary infrastructure and mechanism to carry out mandates specified in the Act and other laws.

As provided for in the Act, renewable energy (RE) developers of RE facilities, including hybrid systems, in proportion to and to the extent of the RE component, for both power and non-power applications, as duly certified by the DOE, in consultation with the BOI, shall be entitled to incentives, such as, ITH, duty-free importation of RE machinery, equipment and materials, zero percent VAT rate on sale of power from RE sources, and tax exemption of carbon credits, among others.

The Group expects that the Act may have significant effect on the operating results of some of its subsidiaries and associates that are RE developers. Impact on the operating results is expected to arise from the effective reduction in taxes.

b. <u>Electric Power Industry Reform Act (EPIRA) of 2001</u>
RA No. 9136 was signed into law on June 8, 2001 and took effect on June 26, 2001. The law provides for the privatization of NPC and the restructuring of the electric power industry. The Implementing Rules and Regulations (IRR) were approved by the Joint Congressional Power Commission on February 27, 2002.

R.A. No. 9136 and the IRR impact the industry as a whole. The law also empowers the ERC to enforce rules to encourage competition and penalize anti-competitive behavior.

R.A. Act No. 9136, the EPIRA, and the covering IRR provides for significant changes in the power sector, which include among others:

i. The unbundling of the generation, transmission, distribution and supply and other disposable assets of a company, including its contracts with IPPs and electricity rates;
ii. Creation of a WESM; and
iii. Open and non-discriminatory access to transmission and distribution systems.

The law also requires public listing of not less than 15% of common shares of generation and distribution companies within 5 years from the effectivity date of the EPIRA. It provides cross ownership restrictions between transmission and generation companies and a cap of 50% of its demand that a distribution utility is allowed to source from an associated company engaged in generation except for contracts entered into prior to the effectivity of the EPIRA.

There are also certain sections of the EPIRA, specifically relating to generation companies, which provide for a cap on the concentration of ownership to only 30% of the installed capacity of the grid and/or 25% of the national installed generating capacity.

c. <u>Temporary Restraining Order (TRO) affecting Power Generation Companies trading in WESM</u>
On December 19, 2013, Bayan Muna representatives filed a Petition for Certiorari against the ERC and the Manila Electric Company (MERALCO) with the Supreme Court (SC). On December 20, 2013, National Association of Electricity Consumers for Reforms filed a Petition for Certiorari and/or Prohibition against MERALCO, ERC and DOE. These cases raised and questioned, among others, the alleged substantial increase in MERALCO's power rates for the billing period of November 2013, the legality of Sections 6, 29 and 45 of the EPIRA, the failure of ERC to protect consumers from the high energy prices and the perceived market collusion of the generation companies.

These cases were consolidated by the SC which issued a TRO for a period of 60 days from December 23, 2013 to February 21, 2014, preventing MERALCO from collecting the increase in power rates for the billing period of November 2013. The TRO was subsequently extended for another 60 days ending April 22, 2014 by the SC. Thereafter, the TRO was extended indefinitely.

MERALCO, in turn, filed a counter-petition impleading generation companies supplying power to the WESM. The SC also ordered all the parties in the consolidated cases to file their respective pleadings in response to MERALCO's counter-petition. The Supreme Court set the consolidated cases for oral arguments last January 21, February 4 and 11, 2014. After hearing, all parties were ordered to file their comments and/or memorandum. The case is now submitted for resolution.

As a result of the TRO, Meralco has not been able to fully bill its consumers for the generation costs for the supply month of November 2013; and in turn, it has not been able to fully pay its suppliers of generation costs.

d. Imposition of financial penalties on Therma Mobile by the Philippine Electricity Market Corporation (PEMC)

This case involves an investigation of Therma Mobile in the dispatch of its power barges during the November and December 2013 supply period. As a result of the Meralco price hike case brought before the SC, the SC ordered the ERC to investigate anti-competitive behavior and abuse of market power allegedly committed by some WESM participants.

PEMC conducted the investigation under the "Must-Offer" rules of the WESM Rules.

PEMC initially found that Therma Mobile violated the "Must-Offer Rule" during the period under investigation. In its letter dated January 30, 2015, the PEM Board imposed financial penalties amounting to ₱234.9 million on Therma Mobile. According to the PEM Board, the penalties will be collected from Therma Mobile through the WESM settlement process.

Therma Mobile maintains that there is no basis for the PEMC decision. It did not violate the Must-Offer Rule, for the period ended, as it was physically impossible for Therma Mobile to transmit more than 100MW to Meralco. Although Therma Mobile's rated capacity is 234 MW (Net), it could only safely, reliably and consistently deliver 100MW during the November and December 2013 supply period because of transmission constraints. Therma Mobile's engines and transmission lines were still undergoing major repairs to address issues on post rehabilitation.

Last February 13, 2015, Therma Mobile filed a notice of dispute with the PEMC to refer the matter to dispute resolution under the WEM Rules and the WESM Dispute Resolution Market Manual.

Therma Mobile also filed a Petition for the Issuance of Interim Measures of Protection with the Regional Trial Court (RTC) of Pasig to hold off enforcement of the payment of the penalties during the pendency of the Therma Mobile and PEMC dispute resolution proceedings. Last February 24, 2015, the RTC issued in favor of Therma Mobile an ex parte 20-day Temporary Order of Protection directing PEMC to refrain from (a) demanding and collecting from Therma Mobile the ₱234.9 million financial penalty; (b) charging and accruing interest on the financial penalty; and (c) transmitting the PEMC-ECO investigation report to the ERC. Therma Mobile and PEMC have agreed to maintain the status-quo until the RTC rules on the Therma Mobile's application for preliminary injunction.

On April 1, 2015, the RTC granted the prayer for the issuance of Writ of Preliminary Injunction, which ruling was assailed by the PEMC and elevated to the Court of Appeals (CA) via Petition for Review. On December 15, 2015, the CA issued a Decision confirming the RTC's findings. Therma Mobile is in receipt of PEMC's Motion for Reconsideration, and in compliance with a Resolution of the CA, has filed a comment on the said motion.

e. Therma Marine Case

In 2013, ERC issued Final Approval of various ESAs of Therma Marine with some modifications on ERC's provisionally approved rates which directed both parties to devise a scheme for the refund of the difference between the final and the provisionally approved rates.

On November 25, 2013, ERC issued its order for Therma Marine to refund the amount of ₱180.0 million to its customers for a period of 6 months with equal installments per month.

On August 27, 2014, ERC issued an order directing NGCP to refund its customers the amount of ₱12.7 million and the corresponding VAT for a period of twelve months. As such, Therma Marine will refund the said amount to NGCP and the latter will refund the same to its customers.

In 2015, ERC issued Provisional Approvals (PA) on ESA contracts extensions with capacity fees lower than the previously approved rates. Therma Marine filed MRs on these PAs. During the last quarter of 2015, ERC issued Final Approvals on some of these ESA's sustaining the decision in the PA's, thus Therma Marine filed MRs on the final decisions. As of December 31, 2016, there is no resolution yet on the MRs on the Final Approvals.

f. ERC Case No. 2013-077 MC

On August 29, 2013, MERALCO filed a petition for dispute resolution against TLI/APRI , among other Successor Generating Companies ("SGCs") under ERC Case No. 2013-077 MC. The case arose from a claim of refund of the alleged over charging of transmission line losses pursuant to the ERC Order dated March 4, 2013 and July 1, 2013 in ERC Case No. 2008-083 MC.

On September 20, 2013, TLI, together with the other SGCs, filed a Joint Motion to Dismiss arguing that MERALCO's petition should be dismissed for failure to state a cause of action and ERC's lack of jurisdiction over the subject matter of the case. The Joint Motion to Dismiss has since then been submitted for resolution with the ERC. To date, the ERC has yet to render its decision on the Joint Motion to Dismiss.

g. Sergio Osmena III vs. PSALM, Emmanuel R. Ledesma, Jr., SPC Power Corporation (SPC) and Therma Power Visayas, Inc. (TPVI)

In 2009, SPC acquired through a negotiated bid the 153.1MW Naga Land-Based Gas Turbine Power Plant ("Naga Plant") in Naga, Cebu. In the same year, it entered into a Land Lease Agreement (LLA) with PSALM, which includes SPC's right to top (RTT) the price of a winning bidder for the sale of any property in the vicinity of the leased premises.

PSALM subsequently bid out the Naga Plant located in the leased premises. On April 30, 2014 and after two failed biddings, PSALM issued a Notice of Award to TPVI for submitting the highest bid for the Naga Plant. SPC wrote PSALM of its intent to exercise its RTT the winning bid, on the condition that the LLA would be for a term of 25 years from closing date.

Senator Sergio Osmeña III filed with the Supreme Court (SC) a Petition for Certiorari and Prohibition with prayer for issuance of a Temporary Restraining Order and/or Writ of Preliminary Injunction dated June 16, 2014 (the "Case") with PSALM, Emmanuel R. Ledesma, SPC and TPVI as respondents to enjoin PSALM from making the award of the Naga Plant to SPC. In his petition, Sen. Osmeña argued that the RTT should be held invalid as it defeats the purpose of a fair and transparent bidding for a government asset and it discourages interested bidders considering the unfair advantage given to SPC.

On July 25, 2014, PSALM awarded the contract to SPC, despite TPVI's objection on the ground that SPC did not validly exercise its right to top because of its qualified offer. Thereafter, an Asset Purchase Agreement (APA) for the Naga Plant was executed between PSALM and SPC.

On September 28, 2015, the SC declared in the Case that the RTT and the APA executed in favor of SPC are null and void. The parties thereafter filed various motions for reconsideration which the SC subsequently denied.

On March 16, 2016, TPVI filed its Manifestation/Motion praying that the Notice of Award dated April 30, 2014 be reinstated and that respondent PSALM be ordered to execute the Asset Purchase Agreement ("NPPC-APA"), Land Lease Agreement ("NPPC-LLA") and other documents to implement TPVI's acquisition of the Naga Plant.

On April 6, 2016, the SC issued a Resolution that required PSALM and SPC to comment on TPVI's Manifestation/Motion. In the same Resolution, the SC denied the motion for leave to file and admit SPC's second motion for reconsideration and referral to the SC en banc.

On July 19, 2016, TPVI filed its Manifestation with Omnibus Motion to clarify the motion dated March 16, 2016 and for early resolution. TPVI prayed that the SC Decision dated September 28, 2015 be clarified, and if necessary, be amended to include in its "fallo" that the Notice of Award in favor of TPVI be reinstated.

In response to various motions, the SC issued a Notice of Judgment and Resolution dated October 5, 2016 clarifying that the nullification of SPC's right to top did not invalidate the entire bidding process. Thus, the SC ordered the reinstatement of the Notice of Award dated April 30, 2014 in favor of TPVI. Further, the SC annulled and set aside the APA and the LLA executed between SPC and PSALM and directed PSALM to execute with dispatch the NPPC-APA and the NPPC-LLA in favor of TPVI.

On October 26, 2016, SPC filed an Urgent Motion for Reconsideration with Alternative Motion to Refer to the En Banc of the SC. SPC reiterated its prayer for the reversal of the October 5, 2016 Resolution, denial of TPVI's Manifestation/Motion and for the conduct of a new round of bidding for the Naga Plant. PSALM also filed its Motion for Reconsideration with Leave and prayed that the SC's October 5, 2016 Resolution be re-examined and/or reconsidered.

In its Resolution dated November 28, 2016, the SC denied SPC's and PSALM's motions for reconsideration (of the October 5, 2016 Resolution) with finality. The SC ordered that no further pleadings, motions, letters, or other communications shall be entertained in the Case, and it ordered the issuance of Entry of Judgment.

Notwithstanding the above SC Resolution, SPC filed its Motion for Leave to File and Admit (Motion for Reconsideration dated 9 December 2016) with attached Motion for Reconsideration dated December 9, 2016. Thereafter, SPC filed its Supplemental Motion/Petition for Referral to the Banc dated January 16, 2017.

On February 14, 2017, TPVI received a copy of the Entry of Judgment which states that the October 5, 2016 Resolution of the SC has become final and executory on November 28, 2016.

h. DLP Case

On December 7, 1990, certain customers of DLP filed before the then Energy Regulatory Board (ERB) a letter-petition for recovery claiming that with the SC's decision reducing the sound appraisal value of DLP's properties, DLP exceeded the 12% Return on Rate Base (RORB). The ERB's order dated June 4, 1998, limited the computation coverage of the refund from January 19, 1984 to December 14, 1984. No amount was indicated in the ERB order as this has yet to be recomputed.

The CA, in Court of Appeals General Register Special Proceeding (CA-GR SP) No. 50771, promulgated a decision dated February 23, 2001 which reversed the order of the then ERB, and expanded the computation coverage period from January 19, 1984 to September 18, 1989.

The SC in its decision dated November 30, 2006 per GR150253 reversed the CA's decision CA-GR SP No. 50771 by limiting the period covered for the refund from January 19, 1984 to December 14, 1984, approximately 11 months. The respondent/customers filed a Motion for Reconsideration with the SC, which was denied with finality by the SC in its Order dated July 4, 2007.

The SC, following its decision dated November 30, 2006, ordered the ERC to proceed with the refund proceedings instituted by the respondents with reasonable dispatch.

On March 17, 2010, the ERC directed DLP to submit its proposed scheme in implementing the refund to its customers. In compliance with the order, the DLP filed its compliance stating that DLP cannot propose a scheme for implementing a refund as its computation resulted to no refund.

A clarificatory meeting was held where DLP was ordered to submit its memoranda.

On October 4, 2010, in compliance with the ERC directive, DLP submitted its memoranda reiterating that no refund can be made. After which, no resolution has been received by DLP from the ERC as of December 31, 2016.

i. LHC Franchise Tax Assessment
In 2007, the Provincial Treasurer of Benguet issued a franchise tax assessment against LHC, requiring LHC to pay franchise tax amounting to approximately ₱40.4 million, inclusive of surcharges and penalties covering the years 2002 to 2007. In 2008, LHC has filed for a petition for the annulment of the franchise tax assessment, based primarily on the fact that LHC is not liable for franchise tax because it does not have a franchise to operate the business. Section 6 of R.A. No. 9136 provides that power generation shall not be considered a public utility operation. As such, an entity engaged or which shall engage in power generation and supply of electricity shall not be required to secure a national franchise. Accordingly, no provision has been made in the consolidated financial statements. The case remains pending as of December 31, 2016.

41. **Events after the Reporting Period**

To comply with the requirements of Section 43 of the Corporation Code, on March 7, 2017, the BOD approved the following:

a. Declaration of a regular cash dividend of ₱1.33 per share (₱7.49 billion) to all stockholders of record as of March 21, 2017. These dividends will be taken out of the unrestricted retained earnings as of December 31, 2016, and will be paid on April 10, 2017. 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.

b. Reversal of ₱1.095 billion retained earnings appropriations for funding of additional capital infusions into the following investees (amounts in thousand pesos):

Investee	Project to be Funded	Board Approval Date	Estimated Project Start Date	Estimated Project Completion Date	Appropriation (in thousands)	Status of Capital Infusion as of Dec. 31, 2016
AboitizLand, Inc. and Subsidiaries	Land acquisition	July 2013	First quarter of 2014	End of fourth quarter 2017	₱500,000	Deferred
Aseagas, Inc.	Plant construction	March 2015	August 2014	Start of third quarter 2016	345,000	Executed
PETNET, Inc.	Business expansion	May 2015	June 2015	December 2016	250,000	Executed
Total					₱1,095,000	

ABOITIZ EQUITY VENTURES, INC.
AND SUBSIDIARIES

Supplementary Schedules
to the Financial Statements
Required by the Securities and Exchange Commission
For the Year Ended December 31, 2016

and

Independent Auditor's Report

Philippine
Pesos

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

Supplementary Schedules Required
By the Securities and Exchange Commission
As of and for the Year Ended December 31, 2016

NA: NOT APPLICABLE

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ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE A - FINANCIAL ASSETS

AS OF DECEMBER 31, 2016
(Amounts in Thousands)

Name of Issuing Entity	Number of Shares	Amount Shown in the Balance Sheet	Value Based on Market Quotation at Balance Sheet Date	Income Received or Accrued
Cash In Bank				
ANZ	Not applicable	P 16,214	Not applicable	P 55
Allied Bank	Not applicable	11,504	Not applicable	10
Asian United Bank	Not applicable	10,076	Not applicable	14
Banco de Oro	Not applicable	1,735,291	Not applicable	1,920
Bank of America Corporation	Not applicable	248	Not applicable	-
Bank of Commerce	Not applicable	3,024	Not applicable	13
Bank of the Philippine Islands	Not applicable	2,915,931	Not applicable	5,077
China Banking Corporation	Not applicable	18,813	Not applicable	46
China Trust Banking Corporation	Not applicable	2,383	Not applicable	13
China Development Bank Corporation	Not applicable	45	Not applicable	-
Citibank	Not applicable	1,481,956	Not applicable	1,301
City Savings Bank	Not applicable	28,624	Not applicable	344
Development Bank of the Philippines	Not applicable	1,033	Not applicable	3
Eastwest Banking Corporation	Not applicable	18,841	Not applicable	32
Hongkong Shanghai Banking Corporation	Not applicable	56,281	Not applicable	4
ING Bank N.V.	Not applicable	1,290,374	Not applicable	-
Landbank of the Philippines	Not applicable	97,488	Not applicable	42
Maybank Corporation	Not applicable	5,184	Not applicable	25
Metropolitan Bank and Trust Company	Not applicable	352,058	Not applicable	1,827
Mizuho Corporatet Bank, Ltd.	Not applicable	9,514	Not applicable	2
One Network Bank	Not applicable	8,970	Not applicable	-
PB Com	Not applicable	3,826	Not applicable	5
Philippine Business Bank	Not applicable	2,838	Not applicable	11
Philippine National Bank	Not applicable	431,180	Not applicable	212
Philippine Veterans Bank	Not applicable	371	Not applicable	2
Planters Bank	Not applicable	-	Not applicable	13
Rizal Commercial Banking Corporation	Not applicable	239,630	Not applicable	1,355
Robinson's Bank	Not applicable	3,778	Not applicable	13
Standard Chartered Bank	Not applicable	20,844	Not applicable	-
Security Bank Corporation	Not applicable	391,064	Not applicable	761
Sterling Bank of Asia	Not applicable	2,444	Not applicable	9
Union Bank of the Philippines	Not applicable	3,815,244	Not applicable	31,270
United Coconut Planters Bank	Not applicable	3,912	Not applicable	12
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	Not applicable	10,693	Not applicable	1
ANZ, Ho Chi Minh City branch	Not applicable	710	Not applicable	-
Vietcombank, Ho Chi Minh City branch	Not applicable	153	Not applicable	32
SCB, Dong Thap branch	Not applicable	15	Not applicable	8
Sacombank, Dong Thap branch	Not applicable	2,476	Not applicable	4
Vietcombank, Dong Thap branch	Not applicable	1,324	Not applicable	8
HSBC, Ho Chi Minh City branch	Not applicable	6,403	Not applicable	26
Vietinbank, Dong Thap branch	Not applicable	6,165	Not applicable	11
Vietcombank, Ho Chi Minh City branch	Not applicable	20	Not applicable	0
T O T A L		**P 13,006,942**		**P 44,481**

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ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE A - FINANCIAL ASSETS

AS OF DECEMBER 31, 2016
(Amounts in Thousands)

Name of Issuing Entity	Number of Shares	Amount Shown in the Balance Sheet	Value Based on Market Quotation at Balance Sheet Date	Income Received or Accrued
Money Market Placements				
Banco de Oro	Not applicable	P 1,941,076	Not applicable	P 65,505
BDO Unibank, Inc.	Not applicable	602,516	Not applicable	5,733
Bank of the Philippine Islands	Not applicable	13,969,693	Not applicable	199,921
Chinabank Corporation	Not applicable	-	Not applicable	12,479
Citibank	Not applicable	1,342,440	Not applicable	1,187
City Savings Bank	Not applicable	20,213,839	Not applicable	387,635
Deutsche Asset & Wealth Management	Not applicable	-	Not applicable	3
Hongkong & Shanghai Banking Corporation	Not applicable	3,964	Not applicable	54
First Metro Investment Corporation	Not applicable	-	Not applicable	26,093
Metropolitan Bank and Trust Company	Not applicable	4,355,034	Not applicable	68,902
Philippine National Bank	Not applicable	10,696	Not applicable	149,379
Rizal Commercial Banking Corporation	Not applicable	59,996	Not applicable	10,677
Rural Bank Quezon Capital	Not applicable	375	Not applicable	4
Security Bank Corporation	Not applicable	232,879	Not applicable	45,365
Mizuho Corporate Bank, Ltd.	Not applicable	15,043	Not applicable	94,198
United Coconut Planters Bank	Not applicable	10,218	Not applicable	-
Sacombank, Dong Thap branch - VND	Not applicable	-	Not applicable	9,453
SCB, Dong Thap branch - VND	Not applicable	-	Not applicable	4,530
Vietcombank, Dong Thap branch - VND	Not applicable	-	Not applicable	5,841
Union Bank of the Philippines	Not applicable	7,561,237	Not applicable	277,203
T O T A L		**P 50,319,006**		**P 1,364,162**
Trade Receivables				
Power	Not applicable	P 13,916,684	Not applicable	Not applicable
Real estate	Not applicable	2,855,165	Not applicable	Not applicable
Food manufacturing	Not applicable	1,848,628	Not applicable	Not applicable
Financial services	Not applicable	155,028	Not applicable	Not applicable
Holding and others	Not applicable	1,319,883	Not applicable	Not applicable
T O T A L		**P 20,095,388**		
Other Receivables				
Advances to contractors	Not applicable	P 773,547	Not applicable	Not applicable
Dividends receivable	Not applicable	748,000	Not applicable	Not applicable
Accrued revenues	Not applicable	595,533	Not applicable	Not applicable
Non-trade receivables	Not applicable	345,099	Not applicable	Not applicable
Others	Not applicable	1,331,439	Not applicable	Not applicable
T O T A L		**P 3,793,618**		
Available-For-Sale (AFS) Investments				
Publicly-listed:				
Empire East Land, Inc.	4,377,063	P 3,020	P 3,020	P -
Megaworld Properties, Inc.	1,842,750	6,579	6,579	-
Others	463,831	1,785	1,785	27
Non-publicly-listed:				
Alta Vista Golf and Country Club	2	3,245	-	-
Cebu Holdings, Inc.	1	1,038	-	-
Cebu Country Club	3	9,600	-	-
Equitable Banking Corporation	8,050	793	-	-
Philippine Long Distance and Telephone Company	44,344	560	-	-
Others	21,795,717	20,962	-	-
Investment in Bonds/Unit Investment Trust Fund				
Banco de Oro	-	317,920	-	10,626
Union Bank of the Philippines	2,050,350	198,246	198,246	57
T O T A L		**P 563,748**	**P 209,630**	**P 10,710**

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

AS DECEMBER 31, 2016
(Amounts in Thousands)

Name and Designation of Debtor	Beginning Balance	Additions	Deductions: Amounts Collected	Deductions: Amounts Written Off	Current	Non-Current	Ending Balance
TRADE							
Pilmico Foods Corporation	**P 138,778**	P -	(138,778)	P -	P -	P -	**P -**
Pilmico Animal Nutrition Corporation	**1,611**		(2,506)	-	(895)	-	**(895)**
Filagri, Inc.	**2**	17	-	-	19	-	**19**
AEV Aviation, Inc.	**919**	-	(918)	-	1	-	**1**
Cebu Praedia Development Corporation	**91**	-	(79)	-	12	-	**12**
Aseagas Corporation	**1,202**	-	(1,202)	-	-	-	**-**
APO Agua Infrastructura, Inc.	**175**	440	-	-	615	-	**615**
PETNET, Inc.	**31**	871	-	-	902	-	**902**
Aboitiz Power Corporation	**40,758**	-	(16,695)	-	24,063	-	**24,063**
Davao Light and Power Co., Inc.	**31,986**	-	(28,646)	-	3,340	-	**3,340**
Cotabato Light and Power Company	**990**	-	(309)	-	681	-	**681**
Cotabato Ice Plant, Inc.	**(717)**	-	(7)	-	(724)	-	**(724)**
Subic Enerzone Corporation	**900**	12,188	-	-	13,088	-	**13,088**
Mactan Enerzone Corporation	**168**	3,080	-	-	3,248	-	**3,248**
Balamban Enerzone Corp.	**217**	3,705	-	-	3,922	-	**3,922**
Lima Enerzone Corporation	**58**	5,305	-	-	5,363	-	**5,363**
Cebu Private Power Corporation	**546**	-	(286)	-	260	-	**260**
San Fernando Electric Light & Power Co.	**1,930**	-	(1,930)	-	-	-	**-**
East Asia Utilities Corp.	**786**	394	-	-	1,180	-	**1,180**
Aboitiz Energy Solutions, Inc.	**567**	-	(281)	-	286	-	**286**
RP Energy, Inc.	**8**	-	(8)	-	-	-	**-**
Advent Energy, Inc.	**243**	-	(123)	-	120	-	**120**
Therma Power, Inc.	**439**	-	(439)	-	-	-	**-**
Therma Power Visayas, Inc.	**3,305**	-	(3,305)	-	-	-	**-**
Therma Luzon, Inc.	**2,077**	4,015	-	-	6,092	-	**6,092**
Therma South, Inc.	**3,518**	-	(1,400)	-	2,118	-	**2,118**
Therma Mobile, Inc.	**1,030**	-	(320)	-	710	-	**710**
Therma Marine, Inc.	**(132)**	608	-	-	476	-	**476**
Pagbilao Energy Corp.	**16**	-	(16)	-	-	-	**-**
Hedcor, Inc.	**2,777**	-	(2,742)	-	35	-	**35**
Hedcor Sibulan, Inc.	**1,302**	-	(1,004)	-	298	-	**298**
Hedcor Tudaya, Inc.	**130**	-	(118)	-	12	-	**12**
Hedcor Bokod, Inc.	**94**	-	(94)	-	-	-	**-**
Hedcor Bukidnon, Inc.	**936**	-	(926)	-	10	-	**10**
Hedcor Sabangan, Inc.	**40**	-	(40)	-	-	-	**-**
Hedcor Tamugan, Inc.	**1**	-	(1)	-	-	-	**-**
Luzon Hydro Corporation	**881**	-	(900)	-	(19)	-	**(19)**
Manila-Oslo Renewable Enterprise, Inc.	**889**	-	(294)	-	595	-	**595**
SN Aboitiz Power, Inc.	**225**	-	(225)	-	-	-	**-**
SN Aboitiz Power - Benguet	**711**	-	(534)	-	177	-	**177**
SN Aboitiz Power - Magat	**682**	-	(505)	-	177	-	**177**
SN Aboitiz Power - Generation	**155**	-	(155)	-	-	-	**-**
SN Power Philippines, Inc.	**-**	14			14	-	**14**
San Carlos Sun Power, Inc.	**-**	49	-	-	49	-	**49**
AP Renewables, Inc.	**430**	-	(2,171)	-	(1,741)	-	**(1,741)**
Visayan Electric Company	**122,980**	467	-	-	123,447	-	**123,447**
Aboitizland, Inc.	**15,824**	-	(9,351)	-	6,473	-	**6,473**
Lima Land, Inc.	**1,720**	-	(1,488)	-	232	-	**232**
Lima Utilities Corporation	**33**	-	(33)	-	-	-	**-**
Lima Water Coporation	**453**	-	(361)	-	92	-	**92**
Cebu Industrial Park Developers, Inc.	**640**	-	(519)	-	121	-	**121**
Misamis Oriental Land Dev't. Corp.	**50**	-	(50)	-	-	-	**-**
Propriedad del Norte, Inc.	**1**	-	(1)	-	-	-	**-**
NON-TRADE							
Cebu Praedia Development Corporation	**-**	425,484		-	65,484	360,000	**425,484**
AEV Aviation, Inc.	**9,848**	-	(9,848)	-	-	-	**-**
AEV International PTE Ltd.	**1,223**	-	(1,223)	-	-	-	**-**
Pilmico Foods Corporation	**-**	700,000		-	700,000	-	**700,000**
Davao Light and Power Co., Inc.	**-**	2,541,552	-	-	2,541,552	-	**2,541,552**
Cotabato Light and Power Company	**-**	19,512	-	-	19,512	-	**19,512**
Total	**P 393,527**	**P 3,717,701**	**P (229,831)**	**P -**	**P 3,521,397**	**P 360,000**	**P 3,881,397**

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE D - INTANGIBLE ASSETS AND OTHER ASSETS

AS OF DECEMBER 31, 2016
(Amount in Thousands)

Description	Beginning Balance	Additions At Cost	DEDUCTIONS Charged to Costs and Expenses	DEDUCTIONS Charged to Other Accounts	Other Changes Additions (Deductions)	Discontinued Operation	Ending Balance
A. Intangibles							
Goodwill	P 2,073,972	P 36,269,601	P (169,469)	P -	P -	P -	P 38,174,104
Intangible asset - service concession right	3,226,536	45,875	(199,342)	-	149,054	-	3,222,123
B. Other Noncurrent Assets							
Input VAT and tax credit receivable	4,750,339	2,015,844	-	-	-	-	6,766,183
Intangible assets:							
Franchise	2,879,615	-	(76,961)	-	-	-	2,802,654
Project development costs	294,071	209,754	(92,326)	-	-	-	411,499
Customer contracts	79,377	-	(15,409)	-	-	-	63,968
Software and licenses	86,124	82,588	-	-		-	168,712
Notes receivable	-	2,882,456	-	-	-	-	2,882,456
Prepaid rent and other deposits	874,130	59,841	-	-	-	-	933,971
Advances to contractors and projects	781,135	-	(304,565)	-	-	-	476,570
Receivable from NGCP	102,350	44,364	-	-	-	-	146,714
Bearer biological assets - net	98,662	28,353	-	-	-	-	127,015
Others	484,580	-	(47,137)	-	-	-	437,443
T o t a l	**P15,730,891**	**P41,638,676**	**(P905,209)**	**P0**	**P149,054**	**P0**	**P56,613,412**

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE E - LONG-TERM DEBT

AS OF DECEMBER 31, 2016
(Amounts in Thousands)

Name of Issuer and Type of Obligation	Amount Authorized by	Amount Shown as Current	Amount Shown as Long-Term	Remarks
Parent Company:				
First Metro Investment Corporation	7,948,262	-	7,948,262	
BPI Capital Corporation	23,822,736	-	23,822,736	
Subsidiaries:				
Aboitiz Power Corporation	9,922,153	-	9,922,153	
AP Renewables, Inc.	11,608,257	1,250,240	10,358,017	
Hedcor, Inc.	626,620	89,151	537,469	
Hedcor Bukidnon, Inc.	5,567,832	-	5,567,832	
Hedcor Sibulan, Inc.	4,049,945	2,963	4,046,982	
Cotabato Light and Power Company	206,850	30,450	176,400	
Davao Light & Power Company, Inc.	1,034,250	152,250	882,000	
Subic Enerzone Corporation	282,500	56,500	226,000	
Pagbilao Energy Corporation	11,414,270	-	11,414,270	
Luzon Hydro Corporation	1,369,631	271,667	1,097,964	
Therma Power, Inc.	30,492,512	-	30,492,512	
Therma South, Inc.	23,737,423	1,280,444	22,456,979	
Therma Visayas, Inc.	27,185,268	-	27,185,268	
GMCP	26,425,533	3,991,223	22,434,310	
Visayan Electric Company	1,375,066	201,896	1,173,170	
Aseagas Corporation	2,423,554	131,579	2,291,975	
Pilmico Foods Corporation	2,834,499	12,649	2,821,850	
Pilmico Animal Nutrition Corp.	2,687,610	9,997	2,677,613	
Aboitizland, Inc.	217,252	217,252	-	
Total	**P195,232,023**	**P7,698,261**	**P187,533,762**	

SCHEDULE H - CAPITAL STOCK

AS OF DECEMBER 31, 2016
(Amounts in Thousands)

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	Number of Shares Reserved for Options, Warrants, Conversions, and Other Rights	Number of Shares Held By		
				Affiliates	Directors, Officers and Employees	Others
COMMON SHARES	9,600,000	5,633,793	-	2,737,173	275,231	2,621,389
PREFERRED SHARES	400,000	-	-	-	-	-

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

**SCHEDULE I - TRADE AND OTHER RECEIVABLES FROM RELATED PARTIES
WHICH ARE ELIMINATED DURING THE CONSOLIDATION
OF FINANCIAL STATEMENTS**

**AS DECEMBER 31, 2016
(Amounts in Thousands)**

	Balances			Volume			
Related Party	**Trade**	**Non-trade**	**Total**	**Sales**	**Rental**	**Advances**	**Terms**
Pilmico Foods Corporation	**P -**	P -	P -	P 274,584	P 203	P -	30 days
Pilmico Animal Nutrition Corporation	**(895)**	-	(895)	7,915	16	-	30 days
Filagri, Inc.	**19**	-	19	4	-	-	30 days
AEV Aviation, Inc.	**1**	-	1	2,373	-	-	30 days
Cebu Praedia Development Corporation	**12**	-	12	1,528	-	-	30 days
Aseagas Corporation	**-**	-	-	5,525	9	-	30 days
APO Agua Infrastructura, Inc.	**615**	-	615	1,995	10	-	30 days
PETNET, Inc.	**902**	-	902	3,045	16	-	30 days
Aboitiz Power Corporation	**24,063**	-	24,063	87,169	4,108	-	30 days
Davao Light and Power Co., Inc.	**3,340**	-	3,340	59,942	60	-	30 days
Cotabato Light and Power Company	**681**	-	681	4,312	5	-	30 days
Cotabato Ice Plant, Inc.	**(724)**	-	(724)	1	-	-	30 days
Subic Enerzone Corporation	**13,088**	-	13,088	15,432	4	-	30 days
Mactan Enerzone Corporation	**3,248**	-	3,248	4,012	-	-	30 days
Balamban Enerzone Corp.	**3,922**	-	3,922	4,475	2	-	30 days
Lima Enerzone Corporation	**5,363**	-	5,363	6,063	-	-	30 days
Cebu Private Power Corporation	**260**	-	260	1,637	32	-	30 days
East Asia Utilities Corp.	**1,180**	-	1,180	2,287	-	-	30 days
Aboitiz Energy Solutions, Inc.	**286**	-	286	2,097		-	30 days
Advent Energy, Inc.	**120**	-	120	1,058	-	-	30 days
Therma Power, Inc.	**-**	-	-	3,076	-	-	30 days
Therma Visayas, Inc.	**-**	-	-	16,266	233	-	30 days
Therma Luzon, Inc.	**6,092**	-	6,092	9,288	278	-	30 days
Therma South, Inc.	**2,118**	-	2,118	16,258	430	-	30 days
Therma Mobile, Inc.	**710**	-	710	3,690	-	-	30 days
Therma Marine, Inc.	**476**	-	476	3,568	-	-	30 days
Hedcor, Inc.	**35**	-	35	8,350	88	-	30 days
Hedcor Sibulan, Inc.	**298**	-	298	4,098		-	30 days
Hedcor Tudaya, Inc.	**12**	-	12	506	-	-	30 days
Hedcor Bokod, Inc.	**-**	-	-	86	-	-	30 days
Hedcor Bukidnon, Inc.	**10**	-	10	3,791	-	-	30 days
Hedcor Sabangan, Inc.	**-**	-	-	435	-	-	30 days
Luzon Hydro Corporation	**(19)**	-	(19)	1,589	1	-	30 days
Manila-Oslo Renewable Enterprise, Inc.	**595**	-	595	2,762	101	-	30 days
SN Aboitiz Power - Benguet	**177**	-	177	5,613	17	-	30 days
SN Aboitiz Power - Magat	**177**	-	177	5,785	21	-	30 days
SN Aboitiz Power - Generation	**-**	-	-	206	-	-	30 days
SN Power Philippines, Inc.	**14**	-	14	494	13	-	30 days
San Carlos Sun Power, Inc.	**49**	-	49	2,987		-	30 days
AP Renewables, Inc.	**(1,741)**	-	(1,741)	20,592	511	-	30 days
Abovant Holdings, Inc.	**-**	-	-	195		-	30 days
Visayan Electric Company	**123,447**	-	123,447	276,701	33	-	30 days
Hijos de F. Escano, Inc.	**-**	-	-	92			30 days
Aboitizland, Inc.	**6,473**	-	6,473	27,446	3,297	-	30 days
Lima Land, Inc.	**232**	-	232	2,774	-	-	30 days
Lima Water Coporation	**92**	-	92	577	-	-	30 days
Cebu Industrial Park Developers, Inc.	**121**	-	121	1,803	-	-	30 days
Misamis Oriental Land Dev't. Corp.	**-**	-	-	342	-	-	30 days
NON-TRADE							
Cebu Praedia Development Corporation	-	**425,484**	425,484	-	-	430,470	on demand
Pilmico Foods Corporation	-	**700,000**	700,000	-	-	700,000	on demand
Davao Light and Power Co., Inc.	-	**2,541,552**	2,541,552	-	-	2,557,831	on demand
Cotabato Light and Power Company	-	**19,512**	19,512	-	-	19,523	on demand
Total	**P 194,849**	**P 3,686,548**	**P 3,881,397**	**P 904,824**	**P 9,488**	**P 3,707,824**	

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE J- TRADE AND OTHER PAYABLES TO RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

AS DECEMBER 31, 2016
(Amounts in Thousands)

Related Party	Balances			Volume			Terms
	Trade	Non-trade	Total	Purchases	Rental	Advances	
AEV Aviation, Inc.	P -	P 934	P 934	P -	P 26,468	P -	on demand
Cebu Praedia Development Corporation	-	338	338	-	7,353	-	on demand
Total	**P -**	**P 1,272**	**P 1,272**	**P -**	**P 33,821**	**P -**	

Aboitiz Equity Ventures, Inc.
32nd Street, Bonifacio Global City
Taguig City, Metro Manila

Statement of Reconciliation of Retained Earnings Available for Dividend Declaration
For the year ended December 31, 2016
(Amounts in Philippine Currency and in Thousands)

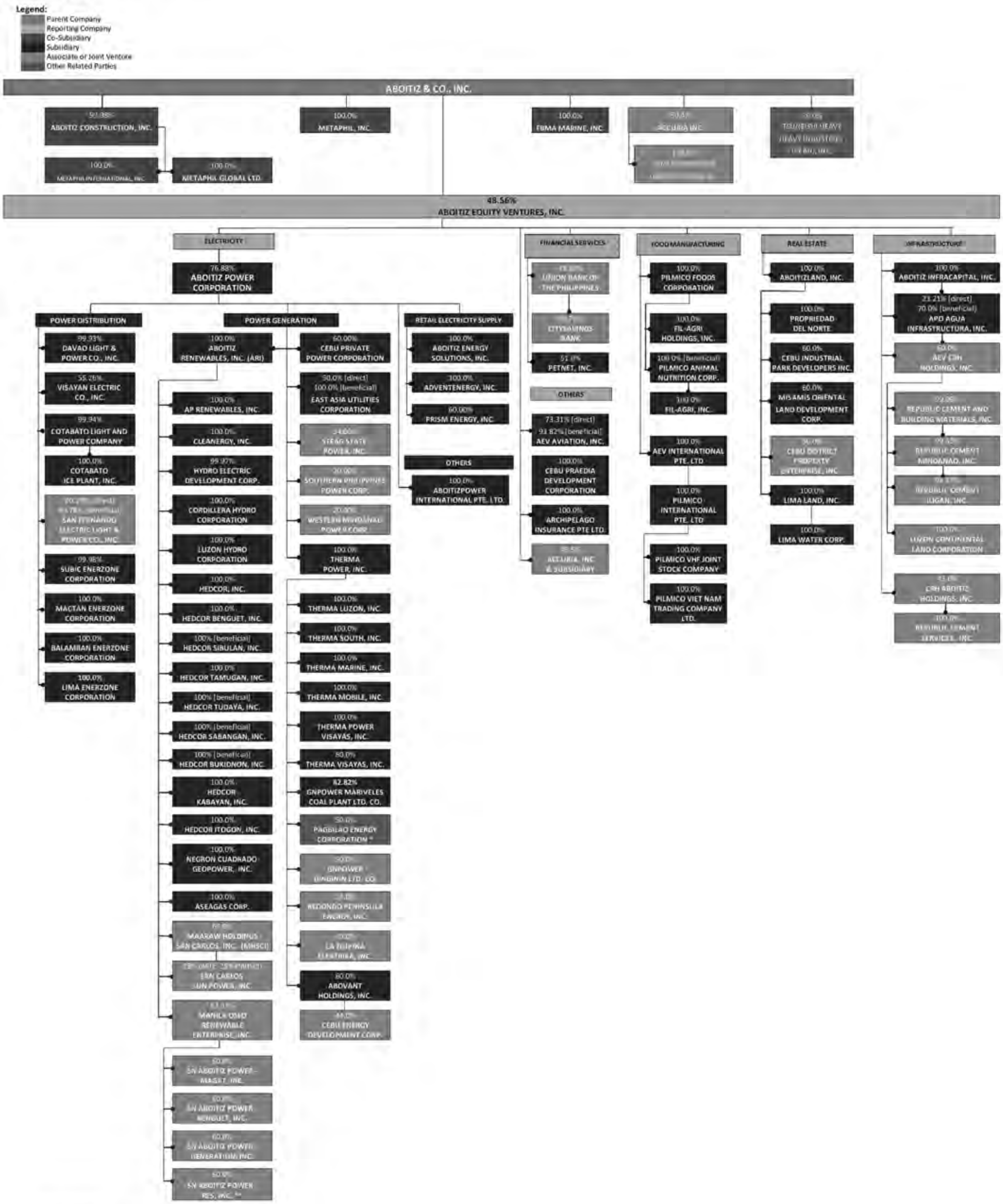
Unappropriated Retained Earnings, beginning	**22,613,298**
Adjustments:	
Less: **Unrealized income, net of tax**	
Unrealized foreign exchange gains - net (except those attributable to Cash and Cash Equivalents)	-
Add: Effect of changes in accounting for employee benefits (PAS 19)	-
Less: Adjustments directly made to retained earnings:	
Treasury Shares	1,065,585
Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning	**21,547,713**
Net Income based on the face of audited financial statements	10,565,000
Less: Unrealized income, net of tax	
Unrealized foreign exchange gains - net (except those attributable to Cash and Cash Equivalents)	-
Net Income Realized	**10,565,000**
Less: Adjustments directly made to retained earnings:	
Cash dividends paid	5,887,523
Appropriations of Retained Earnings during the period	2,717,000
Treasury Shares sold	(544,454)
Retained Earnings available for Dividend, as of year-end	**24,052,644**

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE OF RELEVANT FINANCIAL RATIOS

	FORMULA	DEC 2015	DEC 2016
LIQUIDITY RATIOS			
Current ratio	Current assets / Current liabilities	2.84	2.51
Acid test ratio	Cash + Marketable Securities + Accounts Receivable + Other Liquid Assets / Current liabilities	2.41	2.09
SOLVENCY RATIOS			
Debt to equity ratio	Total liabilities / Total equity	1.31	1.68
Asset to equity ratio	Total assets / Total equity	2.31	2.68
Net debt to equity ratio	Debt - cash & cash equivalents / Total equity	0.66	1.10
Gearing ratio	Debt - cash & cash equivalents / Total equity + (Debt - cash & cash equivalents)	39.88%	52.27%
Interest coverage ratio	EBIT / Net interest expense	5.22	5.08
PROFITABILITY RATIOS			
Operating Margin	Operating Profit / Total revenues	24.6%	24.8%
Return on Equity	Net income after tax / Total equity (adjusted for cash dividend)	17.07%	19.70%

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES
CONGLOMERATE MAPPING
As of December 31, 2016



* Joint Operations
** Engages in retail electricity supply business

Aboitiz Equity Ventures, Inc. and Subsidiaries

Schedule of Philippine Financial Reporting Standards and Interpretations
Effective as of December 31, 2016

Standards and Interpretations		Remarks
Philippine Financial Reporting Standards (PFRS)		
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	Adopted
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	Not Applicable
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters	Not Applicable
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters	Not Applicable
	Amendments to PFRS 1: Government Loans	Not Applicable
PFRS 2	Share-based Payment	Not Applicable
	Amendments to PFRS 2: Vesting Conditions and Cancellations	Not Applicable
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	Not Applicable
	Amendments to PFRS 2: Definition of Vesting Condition	Not Applicable
	Amendments to PFRS 2, Share-based Payment, Classification and Measurement of Share-based Payment Transactions	See footnote[1]
PFRS 3 (Revised)	Business Combinations	Adopted
	Amendments to PFRS 3: Accounting for Contingent Consideration in a Business Combination	Adopted
	Amendments to PFRS 3: Scope Exceptions for Joint Ventures	Adopted
PFRS 4	Insurance Contracts	Adopted
	Amendments to PFRS 4: Financial Guarantee Contracts	Adopted
	Amendments to PFRS 4, Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4	See footnote[1]
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	Adopted
	Amendment to PFRS 5: Changes in Methods of Disposal	Adopted
PFRS 6	Exploration for and Evaluation of Mineral Resources	Not Applicable
PFRS 7	Financial Instruments: Disclosures	Adopted
	Amendments to PFRS 7: Transitions	Adopted
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	Adopted
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	Adopted
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	Adopted
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	Adopted
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	Adopted
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	See footnote[1]
	Amendments to PFRS 7: Servicing Contracts	Adopted
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements	Adopted
PFRS 8	Operating Segments	Adopted
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	Adopted
PFRS 9	Financial Instruments: Classification and Measurement of Financial Assets	Not Early Adopted
	Financial Instruments: Classification and Measurement of Financial Liabilities	Not Early Adopted
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	See footnote[1]
	PFRS 9, Financial Instruments (Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39)	See footnote[1]
	PFRS 9, Financial Instruments (2014 or final version)	See footnote[1]

PFRS 10	Consolidated Financial Statements	Adopted
	Amendments to PFRS 10: Transition Guidance	Adopted
	Amendments to PFRS 10: Investment Entities	Adopted
	Amendments to PFRS 10: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	See footnote[1]
	Amendments to PFRS 10: Investment Entities: Applying the Consolidation Exception	Not Applicable
PFRS 11	Joint Arrangements	Adopted
	Amendments to PFRS 11: Transition Guidance	Adopted
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations	Adopted
PFRS 12	Disclosure of Interests in Other Entities	Adopted
	Amendments to PFRS 12: Transition Guidance	Adopted
	Amendments to PFRS 12: Investment Entities	Adopted
	Amendments to PFRS 12: Investment Entities: Applying the Consolidation Exception	Not Applicable
	Amendment to PFRS 12, Clarification of the Scope of the Standard (Part of Annual Improvements to PFRSs 2014-2016 cycle)	See footnote[1]
PFRS 13	Fair Value Measurement	Adopted
	Amendments to PFRS 13: Short-term Receivables and Payables	Adopted
	Amendments to PFRS 13: Portfolio Exception	Adopted
PFRS 14	Regulatory Deferral Accounts	Not Applicable

Philippine Accounting Standards (PAS)

PAS 1 (Revised)	Presentation of Financial Statements	Adopted
	Amendment to PAS 1: Capital Disclosures	Adopted
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	Adopted
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	Adopted
	Amendment to PAS 1: Disclosure Initiative	Adopted
PAS 2	Inventories	Adopted
PAS 7	Statement of Cash Flows	Adopted
	Amendments to PAS 7, Statement of Cash Flows, Disclosure Initiative	See footnote[1]
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	Adopted
PAS 10	Events after the Reporting Period	Adopted
PAS 11	Construction Contracts	Adopted
PAS 12	Income Taxes	Adopted
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	Adopted
	Amendments to PAS 12, Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses	See footnote[1]
PAS 16	Property, Plant and Equipment	Adopted
	Amendments to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Amortization	Adopted
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization	Adopted
	Amendments to PAS 16: Bearer Plants	Not Applicable
PAS 17	Leases	Adopted
PAS 18	Revenue	Adopted
PAS 19 (Amended)	Employee Benefits	Adopted
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	Adopted
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions	Adopted
	Amendment to PAS 19: Discount Rate: Regional Market Issue	Adopted
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance	Not Applicable

PAS 21	The Effects of Changes in Foreign Exchange Rates	Adopted
	Amendment: Net Investment in a Foreign Operation	Adopted
PAS 23 (Revised)	Borrowing Costs	Adopted
PAS 24 (Revised)	Related Party Disclosures	Adopted
	Amendments to PAS 24: Key Management Personnel Services	Adopted
PAS 26	Accounting and Reporting by Retirement Benefit Plans	Adopted
PAS 27 (Amended)	Separate Financial Statements	Adopted
	Amendments to PAS 27 (Amended): Investment Entities	Adopted
	Amendments to PAS 27: Equity Method in Separate Financial Statements	Adopted
PAS 28 (Amended)	Investments in Associates and Joint Ventures	Adopted
	Amendments to PAS 28: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	See footnote[1]
	Amendments to PAS 28, Investment Entities: Applying the Consolidation Exception	Not Applicable
	Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014-2016 Cycle)	See footnote[1]
PAS 29	Financial Reporting in Hyperinflationary Economies	Not Applicable
PAS 32	Financial Instruments: Disclosure and Presentation	Adopted
	Financial Instruments: Presentation	Adopted
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	Adopted
	Amendment to PAS 32: Classification of Rights Issues	Adopted
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	Adopted
PAS 33	Earnings per Share	Adopted
PAS 34	Interim Financial Reporting	Adopted
	Amendment to PAS 34: Disclosure of Information 'Elsewhere in the Interim Financial Report'	Adopted
PAS 36	Impairment of Assets	Adopted
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-financial Assets	Adopted
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	Adopted
PAS 38	Intangible Assets	Adopted
	Amendments to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization	Adopted
	Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	See footnote[1]
PAS 39	Financial Instruments: Recognition and Measurement	Adopted
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	Adopted
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	Adopted
	Amendments to PAS 39: The Fair Value Option	Adopted
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	Adopted
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	Adopted
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	Adopted
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives	Adopted
	Amendment to PAS 39: Eligible Hedged Items	Adopted
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting	Adopted

PAS 40	Investment Property	Adopted
	Amendments to PAS 40: Clarifying the Interrelationship Between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-occupied Property	Adopted
	Amendments to PAS 40, Investment Property, Transfers of Investment Property	See footnote[1]
PAS 41	Agriculture	Adopted
	Amendments to PAS 41: Bearer Plants	Not Applicable

Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)

IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	Adopted
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments	Not Applicable
IFRIC 4	Determining Whether an Arrangement Contains a Lease	Adopted
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	Not Applicable
IFRIC 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	Not Applicable
IFRIC 7	Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies	Not Applicable
IFRIC 9	Reassessment of Embedded Derivatives	Adopted
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives	Adopted
IFRIC 10	Interim Financial Reporting and Impairment	Adopted
IFRIC 12	Service Concession Arrangements	Adopted
IFRIC 13	Customer Loyalty Programmes	Adopted
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	Adopted
	Amendments to Philippine Interpretations IFRIC 14, Prepayments of a Minimum Funding Requirement	Adopted
IFRIC 15	Agreements for the Construction of Real Estate	Effective date deferred
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	Not Applicable
IFRIC 17	Distributions of Non-cash Assets to Owners	Adopted
IFRIC 18	Transfers of Assets from Customers	Adopted
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	Adopted
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	Not Applicable
IFRIC 21	Levies	Adopted
IFRIC 22	Philippine Interpretation IFRIC 22, Foreign Currency Transactions and Advance Consideration	See footnote[1]

Philippine Interpretations - Standing Interpretations Committee (SIC)

SIC 7	Introduction of the Euro	Not Applicable
SIC 10	Government Assistance - No Specific Relation to Operating Activities	Not Applicable
SIC 15	Operating Leases - Incentives	Adopted
SIC 25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders	Adopted
SIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	Adopted
SIC 29	Service Concession Arrangements: Disclosures	Adopted
SIC 31	Revenue - Barter Transactions Involving Advertising Services	Not Applicable
SIC 32	Intangible Assets - Web Site Costs	Adopted

International Financial Reporting Standards

IFRS 15	Revenue from Contracts with Customers	See footnote[1]
IFRS 16	Leases	See footnote[1]

[1] Effective subsequent to December 31, 2016

Investor Information

Head Office:

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Taguig City, Metro Manila 1634, Philippines
Tel (632) 886-2800 | Fax (632) 886-2407

Cebu Office:

Aboitiz Corporate Center
Gov. Manuel A. Cuenco Avenue,
Kasambagan, Cebu City 6000, Philippines
Tel (6332) 411-1800 | Fax (6332) 231-4037

Common Stock
The Company's common stock is listed and traded in the Philippine Stock Exchange.

Stockholders' Meeting
The Company's regular stockholders' meeting is held on the third Monday of May of every year.

Stockholder Services and Assistance
Stock Transfer Service, Inc. (STSI) serves as the Company's stock transfer agent registrar.

For matters concerning dividend payments, account status, lost or damaged stock certificates, change of address, please write or call:

STOCK TRANSFER SERVICE, INC.
34-D Rufino Pacific Tower,
6784 Ayala Avenue, Makati City 1226, Philippines
Tel (632) 403-3798 | (632) 403-2410 | (632) 403-2412
Fax (632) 403-2414
Contact person:
Mr. Michael C. Capoy - mccapoy@stocktransfer.com.ph

AEV welcomes inquiries from institutional investors, analysts, and the financial community.

Please write or call:

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