aboitiz
Equity Ventures

November 14, 2018

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

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

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

ATTENTION : **MS. JANET A. ENCARNACION**
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. PAULA BEATRICE A. BUENO**
OIC – Issuer Compliance and Disclosure Department

Gentlemen:

Please see enclosed SEC Form 17-Q (3rd Quarterly Report 2018) of Aboitiz Equity Ventures Inc.

Kindly acknowledge receipt hereof.

Thank you.

Very truly yours,

ABOITIZ EQUITY VENTURES, INC.
By:

MANUEL ALBERTO R. COLAYCO
Corporate Secretary TOP

COVER SHEET

CEO2536
S.E.C. Registration Number

ABOITIZ EQUITY VENTURES INC.

(Company's Full Name)

32ND STREET, BONIFACIO GLOBAL CITY, TAGUIG CITY, METRO MANILA PHILIPPINES

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

MANUEL ALBERTO R. COLAYCO
Contact Person

(02) 886-2338
Company Telephone Number

12 31
Month *Day*
Fiscal Year

17-Q
FORM TYPE

3rd Monday of May
05 21
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

SECURITIES & EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **September 30, 2018**

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

4. Exact name of issuer as specified in its charter

   ABOITIZ EQUITY VENTURES INC.

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

   Philippines

6. Industry Classification Code: (SEC Use Only)

7. Address of issuer's principal office Postal Code

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

8. Issuer's telephone number, including area code

   (02) 886-2800

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

   N/A

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock ₱1 Par Value	**5,632,792,557**
Amount of Debt Outstanding (September 30, 2018)	**₱282,569,797,153.00**

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

    Yes [x] No [ ]

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

    Philippine Stock Exchange **Common**

12. Indicate by check mark whether the registrant:

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

Yes [**x**] No [ ]

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

Yes [**x**] No [ ]

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

Please refer to the financial statements and schedules attached herewith.

Item 2. Management's Discussion and Analysis or Plan of Action of Financial Condition and Results of Operations

Management's Discussion and Analysis or Plan of Action of Financial Condition and Results of Operations

The following discussion and analysis of the financial condition and results of operations of Aboitiz Equity Ventures, Inc. ("AEV" or the "Company" or the "Parent Company") and its subsidiaries should be read in conjunction with the unaudited condensed consolidated financial statements and accompanying disclosures set forth elsewhere in this report.

TOP FIVE KEY PERFORMANCE INDICATORS

Management uses the following indicators to evaluate the performance of the registrant and its subsidiaries:

1. EQUITY IN NET EARNINGS OF INVESTEES

Equity in net earnings (losses) of investees represents AEV and its subsidiaries' (the Group) share in the undistributed earnings or losses of its associates and joint ventures for each reporting period subsequent to acquisition of said investment. This account reflects the result of the operating performance of an associate or a joint venture and indicates its contribution to the Group's consolidated net income.

Manner of Computation: Investee's Net Income (Loss) x Investor's % ownership - Goodwill Impairment Cost

2. EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION & AMORTIZATION (EBITDA)

The Company computes EBITDA as earnings before extra-ordinary items, net finance expense, income tax provision, depreciation and amortization. It provides management and investors with a tool for determining the ability of the Group to generate cash from operations to cover financial charges and income taxes. It is also a measure to evaluate the Group's ability to service its debts and to finance its capital expenditure and working capital requirements.

3. CASH FLOW GENERATED

Using the Statement of Cash Flows, management determines the sources and usage of funds for the period and analyzes how the Group manages its profit and uses its internal and external sources of capital. This aids management in identifying the impact on cash flow when the Group's activities are in a state of growth or decline, and in evaluating management's efforts to control the impact.

4. CURRENT RATIO

Current ratio is a measurement of liquidity, calculated by dividing total current assets by total current liabilities. It is an indicator of the Group's short-term debt paying ability. The higher the ratio, the more liquid the Group.

5. DEBT-TO-EQUITY RATIO

Debt-to-Equity ratio gives an indication of how leveraged the Group is. It compares assets provided by creditors to assets provided by shareholders. It is determined by dividing total debt by stockholders' equity.

KEY PERFORMANCE INDICATORS (KPI)
(Amounts in thousands except financial ratio data)

	JAN-SEPT 2018	JAN-SEPT 2017
EQUITY IN NET EARNINGS OF INVESTEES	**6,505,811**	6,827,938
EBITDA	**45,537,826**	41,383,551
CASH FLOW GENERATED:		
Net cash flows from operating activities	**24,878,305**	26,790,669
Net cash flows used in investing activities	**(28,795,363)**	(12,661,591)
Net cash flows used in financing activities	**(13,692,258)**	(5,025,146)
Net Increase (Decrease) in Cash & Cash Equivalents	**(17,609,316)**	9,103,931
Cash & Cash Equivalents, Beginning	**64,870,214**	63,857,528
Cash & Cash Equivalents, End	**47,816,242**	73,053,661
	SEPT 30, 2018	**DEC 31, 2017**
CURRENT RATIO	**1.60**	1.56
DEBT-TO-EQUITY RATIO	**1.56**	1.56

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

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

Associates continued to generate substantial earnings and enhance AEV's consolidated bottom-line despite the 5% decline in their income contribution to the Group. Consolidated EBITDA, which increased by 10% compared to the same period in 2017, 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.

Current ratio stood at 1.60x (versus end-2017's 1.56x) as the growth in current assets outpaced the increase in current liabilities. Meanwhile, debt-to-equity ratio remained unchanged at 1.56x.

REVIEW OF JANUARY TO SEPTEMBER 2018 OPERATIONS VERSUS JANUARY TO SEPTEMBER 2017

RESULTS OF OPERATIONS

For the period ended September 30, 2018, AEV posted a consolidated net income of ₱17.32 billion, a 9% year-on-year (YoY) increase. This translates to earnings per share of ₱3.07 for the period in review. The Power Group still accounted for the bulk of income contribution bulk 72%, followed by the Banking and Financial Services, Food, Real Estate, and Infrastructure Groups at 17%, 8%, 2%, and 1%, respectively.

The Group incurred non-recurring foreign exchange (forex) losses of ₱407 million during the first nine months of the year (versus ₱1.21 billion loss in the same period in 2017) mainly from net unrealized forex losses and pre-termination costs on debt refinancing. Stripping out these one-off items, the Group's core net income for the period amounted to ₱17.73 billion, 4% higher than the same period in 2017. AEV also recorded a 10% increase in consolidated EBITDA for the first nine months of 2018, from ₱41.38 billion to ₱45.54 billion.

BUSINESS SEGMENTS

The individual performance of the major business segments for the first nine months of 2018 is discussed below:

Power

Aboitiz Power Corporation (AP) ended the period with an income contribution to AEV of ₱12.82 billion, a 6% increase from last year's ₱12.11 billion. Netting out unrealized forex losses during the period, AP's contribution to the Group's core net income increased by 5% from ₱13.44 billion to ₱14.14 billion.

Power Generation and Retail Supply Group's bottom-line contribution to AEV increased by 4% from ₱11.33 billion to ₱11.8 billion for the period. Adjusted for non-recurring items, Generation and Retail Supply Group's core net income contribution increased by 4% YoY, from ₱12.16 billion during the first nine months of 2017 to ₱12.70 billion for same period in 2018. This increase was mainly attributed the fresh income contributions during the period from Pagbilao Energy Corporation (PEC) and Hedcor Bukidnon, Inc. (HBI).

Capacity sold for during the period in review was flat YoY at 3,158 megawatts (MWW), compared to the 3, 162 MW for same period in 2017.

Power Distribution Group's earnings contribution to AEV increased by 8% from ₱2.34 billion to ₱2.52 billion. Attributable electricity sales of 4,136 gigawatthours during the period increased by 5% compared to the same period last year. This was a result of increased consumption across all customer segments.

Banking & Financial Services

Income contribution from this industry group decreased by 5% YoY, from ₱3.14 billion to ₱2.98 billion.

On a stand-alone basis, Union Bank of the Philippines (UBP) and its subsidiaries recorded net income of ₱6.09 billion for the first nine months of 2018, down 5% compared to the ₱6.38 billion earned during the same period in 2017. The decrease was primarily due to lower income contribution from CitySavings Bank.

Food

Income contribution from Pilmico Foods Corporation (Pilmico) and its subsidiaries during the period in review increased by 26% to ₱1.47 billion from ₱1.17 billion during the same period last year. Flour, Farms, and Pilmico International each reported an increase in income contributions, while Feeds Philippines reported a decrease. The increase in Flour income was due to forex gains from short-term dollar investments and higher interest income. Meanwhile, the 20% YoY increase in Farms' net income resulted from increased margins and volume. Pilmico International likewise reported a higher bottom-line, primarily due to the fresh income contribution of Gold Coin Management Holdings Limited (GCMH) - an expansion in one of Pilmico's core feed milling businesses - which mitigated the impact of higher input costs to Pilmico's International animal feeds and aqua feeds businesses. On the other hand, Feeds Philippines showed a decline in net income largely due to higher costs of feeds ingredients coupled with the change in sales mix to low-margin lines.

Real Estate

Income contribution of Aboitiz Land, Inc. (AboitizLand) during the period under review amounted to ₱403 million, up 19% from ₱340 million in the same period last year. The significant increase was due to the growth in top-line contributions from the industrial, residential, and commercial business units, while operating expenses were maintained at levels similar to those in 2017.

Infrastructure

Republic Cement and Building Materials, Inc.'s (Republic) nine-month income contribution to AEV decreased by 12% YoY, from ₱249 million during the first nine months of 2017 to ₱221 million during the same period in 2018. This was mainly due to significantly higher fuel and power costs, which offset the slight improvement in prices due to government infrastructure spending and stable private sector demand.

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

For the nine months ended September 30, 2018, consolidated net income allocable to the equity holders of AEV registered a 9% YoY increase, reaching ₱17.32 billion from ₱15.90 billion posted in the previous year.

Operating profit for the first nine months of 2018 amounted to ₱29.17 billion, a 10% increase YoY, as the ₱23.78 billion increase in revenues surpassed the ₱21.22 billion rise in costs and expenses. This increase was mainly attributed to the performance of the Power Group.

AP's subsidiaries reported an 11% YoY increase in operating profit from ₱25.06 billion to ₱27.76 billion mainly due to the fresh earnings before interest and taxes (EBIT) contribution from PEC and HBI.

Share in net earnings of associates during the period declined by 5% YoY (₱6.51 billion vs ₱6.83 billion in in the first nine months of 2017) largely due to the decrease in income contributions (i) from SN Aboitiz Power-Magat (SNAP-Magat) and SN Aboitiz Power-Benguet (SNAP-Benguet) resulting from lower hydrology; and (ii) from UBP largely attributed to lower earnings of CitySaving Bank.

The growth in consolidated operating profit and other income, coupled with higher interest income, more than offset the decrease in equity earnings, and as a result, pulled up the Group's overall profitability.

Other income increased to ₱1.05 billion during the first nine months of 2018 from ₱672 million in the same period last year. This was mainly due to Power group's collection of settlements with suppliers and Food group's higher valuation gains on biological assets, which were partly offset by the increase in the Group's net unrealized forex losses.

Net income attributable to non-controlling interests (NCI) increased to ₱7.03 billion during the first nine months of this year from ₱5.21 billion in the same period in 2017, primarily due to the increase in consolidated net income of AP, 23.12% of which is owned by minority shareholders. The reduction in AP's ownership in GN Power Mariveles Coal Plant Ltd. Co. (GMCP) from 82.82% in Sept 2017 to 66.07% in Sept 2018, was nevertheless offset by the increase in GMCP net income after tax (NIAT) during the relevant period, and this increase in NIAT also contributed to the increase in NCI.

AEV's consolidated comprehensive income attributable to equity holders increased by 17% from ₱19.43 billion in the first nine months of 2017 to ₱22.75 billion in the same period in 2018. The 9% increase in consolidated net income, combined with the 180% rise in cumulative translation adjustments (CTA), accounted for majority of this increase.

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

Assets

Compared to the year-end 2017 level, consolidated assets increased 10% to ₱542.29 billion as of September 30, 2018, due to the following:

a. Trade and other receivables, inclusive of noncurrent portion, increased by 47% (₱36.52 billion vs ₱24.77 billion as of December 31, 2017) mainly due to the first-time consolidation of GCMH's

₱4.04 billion accounts and higher level of Power Group's trade receivables, which grew hand-in-hand with the rise in revenue.

b. Inventories increased by 60% (₱19.94 billion vs ₱12.45 billion as of December 31, 2017) mainly due to the first-time consolidation of GCMH's ₱4.60 billion inventory, increase in raw materials inventory of the Food Group, and the higher coal inventory of the Power Group with the start of PEC's commercial operation.

c. Gross of depreciation expense, the resulting ₱15.90 billion combined growth in Property Plant and Equipment (PPE), Investment Properties (IP), and Land and Improvements (LI) was mainly due to the following: 1.) ₱4.07 billion on-going construction of AP's power plants; 2.) ₱5.56 billion various capex of Power, Food, and Real Estate groups; 3.) ₱3.49 billion first-time consolidation of GCMH PPE; and 4.) ₱2.78 billion upward adjustment from PPE restatement by power subsidiaries using US dollar as functional currency.

d. Investments in and Advances to Associates increased by 16% (₱106.58 billion vs ₱91.92 billion as of December 31, 2017) mainly due to AEV's ₱5.38 billion additional acquisition of UBP shares, AP's ₱1.85 billion capital infusion into GN Power Dinginin Ltd. Co. (GNPD), ₱3.95 billion share in CTA and mark-to-market (MTM) gains on the fair value through other comprehensive income (FVOCI) investments of an associate, and recording of ₱6.51 billion share in net earnings of associates. This increase was partially reduced by the ₱3.70 billion cash dividends received from associates during the period.

e. Intangible Asset - service concession right increased by 22% (₱3.75 billion vs ₱3.06 billion as of December 31, 2017) mainly due to capitalized repairs done during the period.

f. Other current assets (OCA) increased by 68% (₱20.88 billion vs ₱12.44 billion as of December 31, 2017) mainly because VAT inputs previously classified as Other Non-Current Assets (ONCA) are now classified as OCA. As AP's power plants approach commercial operations, these inputs are expected to be used within the next 12 months. TSI's increase in restricted cash also contributed to the rise in OCA.

g. Debt Investments at Amortized Cost, formerly classified as Held-to-Maturity Investments, increased to ₱465 million from ₱189 million as of December 31, 2017. This was mainly due to additional acquisitions made of this type of financial product during the current period.

h. Derivative Assets, net of Derivative Liabilities (current and non-current) increased by 426% (₱1.55 billion vs ₱294 million as of December 31, 2017) mainly due to MTM gains recognized on existing forward contracts of the Power Group.

i. Deferred Income Tax Assets increased by 26% (₱1.92 billion vs ₱1.53 billion as of December 31, 2017) mainly due to the corresponding deferred tax benefits recognized on the unrealized forex losses recorded during the current period.

j. Goodwill increased by 38% (₱56.86 billion vs ₱41.31 billion as of December 31, 2017) due to the goodwill generated on the acquisition of GCMH during the current period.

The above increases were tempered by the following decreases:

a. Cash & Cash Equivalents decreased by 26% (₱47.82 billion vs ₱64.87 billion as of December 31, 2017) as the funds used in investment acquisitions and repayment of maturing obligations exceeded the funds generated from operations and long-term loan availment.

b. Investments in Financial Assets at Fair Value through Profit of Loss (FVTPL), formerly classified as Available-for-sale (AFS) Investments, decreased by 18% (₱633 million vs ₱773 million as of December 31, 2017) mainly due to disposals made during the period.

c. Other Noncurrent Assets decreased by 15% (P12.49 billion vs P14.64 billion as of December 31, 2017) primarily due to the reclassification of VAT inputs lodged in ONCA to OCA in anticipation of their application against VAT outputs within the next 12 months, with the start of operation of the power plants.

Liabilities

Consolidated short-term bank loans increased by 20% (₱28.49 billion as of September 30, 2018 vs ₱23.70 billion as of December 31, 2017) mainly due to the first-time consolidation of GCMH's ₱2.35 billion bank loan, ₱7.62 billion availment of the Power and Real Estate Groups, which were partly offset by ₱5.30 billion repayment made by Food group. Long-term debt likewise increased by 7% (₱254.33 billion as of September 30, 2018 vs. ₱238.54 billion as of December 31, 2017) substantially due to the following: a.) AEV International's availment of an ₱18.04 billion loan, b.) GMCP's availment of a ₱10.01 billion loan, c.) the first-time consolidation of GCMH's ₱2.37 billion loan, and d.) a ₱5.38 billion non-cash upward movement due to amortization of deferred financing costs and forex differential. This was partly offset by the prepayment of a ₱15.10 billion Therma Power, Inc. (TPI) loan and a ₱4.65 billion settlement of maturing loans.

Trade and other payables, inclusive of noncurrent portion, increased by 38% as of September 30, 2018, from ₱25.42 billion to ₱35.06 billion, mainly due to higher level of payables by the Power group attributed to the increase in purchased power, and the first-time consolidation of GCMH's ₱5.73 billion trade payables.

Income tax payable increased by 22%, from ₱703 million to ₱858 million, mainly due to recording of additional income tax liability of the Power Group in the period under review.

Asset retirement obligation (ARO) increased by 5% from P2.96 billion to P3.11 billion due to incremental provisions recorded during the first nine months of 2018.

Pension liability, net of pension asset, increased by 87%, from ₱223 million to ₱418 million, mainly due to accrual of retirement expense during the period under review.

Equity

Equity attributable to equity holders of the parent increased by 10% from year-end 2017 level of ₱155.01 billion to ₱171.07 billion mainly due to the ₱17.32 billion net income recorded during the period, ₱3.37 billion share in MTM gains on FVOCI investments of UBP and ₱2.11 billion cumulative translation adjustment, partly offset by the ₱7.21 billion cash dividends paid.

MATERIAL CHANGES IN LIQUIDITY AND CASH RESERVES OF REGISTRANT

For the period ended September 30, 2018, the Group continued to support its liquidity mainly from cash generated from operations, additional loans availed, and dividends received from associates.

Compared to the cash inflow in the first nine months of 2017, consolidated cash generated from operating activities in the first nine months of 2018 decreased by ₱1.91 billion to ₱24.88 billion mainly due to the rise in trade receivables during the current period, despite the growth in earnings before interest, depreciation and amortization (EBIDA).

The current period ended with ₱28.80 billion net cash used in investing activities versus ₱12.66 billion in the same period last year. This was mainly due to the acquisition of GCMH and higher cash disbursed on additional investments in associates.

Net cash used in financing activities was ₱13.69 billion versus ₱5.03 billion in the first nine months of 2017. The increase was largely attributed to higher dividends paid to minority shareholders and more funds used for debt servicing during the current period, partly reduced by higher long-term loan availment.

For the period in review, net cash outflows surpassed cash inflows, resulting in a 26% decrease in cash and cash equivalents from ₱64.87 billion as of year-end 2017 to ₱47.82 billion as of September 30, 2018.

FINANCIAL RATIOS

Backed by strong operating cash inflows, liquidity was adequately preserved. Current ratio stood at 1.60x from 1.56x at the start of the year, since the growth current assets outpaced the increase in current liabilities. Debt-to-equity ratio remained unchanged at 1.56:1.

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

Based on the information provided by UnionBank's Economic Research Unit, AEV expects the Philippines to record a GDP growth rate of 6.4% on the back of higher-than-expected inflation. AEV, along with its Strategic Business Units (SBUs), believes that it is in a position to take advantage of opportunities emerging from a growing economy, and will continue to sustain the growth of its SBUs over the long-term.

Power SBU

AboitizPower believes it is well-positioned to take advantage of opportunities arising from developments in the power industry. Its sound financial condition is expected to give it the agility to create or acquire additional generating capacity over the next few years.

I. Power Generation Business

Despite increased competition in the power generation market, AboitizPower believes it has built the foundation to sustain growth over the long term. In line with its growth target of reaching 4,000 MW in net attributable capacity by 2020, from its capacity of 2,999 MW as of December 31, 2017. AboitizPower expects to expand its portfolio of generation assets by implementing the projects described below:

A. Greenfield and Brownfield Developments

AboitizPower, together with its Subsidiaries and Associates, is in various stages of construction or completion of the following Greenfield and Brownfield projects:

1. **340-MW CFB Coal-Fired Project in Toledo City, Cebu.** This project is undertaken by Therma Visayas, Inc. (TVI), a partnership between AboitizPower and the Vivant group. The 2x170-MW coal-fired power plant is in the testing and commissioning phase, but is experiencing technical issues with turbines that will delay commercial operation date (COD) of the first unit to December 2018 and the second unit to first quarter of 2019.

2. **68.8-MW Manolo Fortich Hydropower Plant in Manolo Fortich, Bukidnon.** The project is undertaken by Hedcor Bukidnon, Inc. The COD of Plant 1 (43.4-MW) was achieved in early July, and Plant 2 (25.4-MW) is expected to reach COD in September 2018 once the final tunnel lining works are completed. The plant is expected to operate under the Feed-in-Tariff (FIT).

3. **19-MW La Trinidad Hydropower Plant in La Trinidad, Benguet.** This project is undertaken by Hedcor, Inc. It is currently under construction with targeted COD by the second half of 2019. The plant is expected to operate under the FIT.

4. **2x668-MW Dinginin Supercritical Coal-Fired Power Plant in Mariveles, Bataan.** This project is undertaken by GNPower Dinginin Ltd. Co., a partnership composed of Therma Power, Inc. (TPI), AC Energy Holdings, Inc., a wholly-owned subsidiary of Ayala Corporation, and Power Partners Ltd. Co. Both Unit 1 and Unit 2, each of 668-MW, are under construction, with targeted commercial operations expected to commence in 2019 and 2020, respectively.

B. Alimit Hydropower Complex

SN Aboitiz Power-Ifugao, Inc. (SN AboitizPower-Ifugao), is in the process of developing the Alimit Hydro Power Complex in Ifugao, which consists of the 120-MW Alimit hydropower plant, the 250-MW Alimit pumped storage facility, and the 20-MW Olilicon hydropower. The affected municipalities are Aguinaldo, Lagawe, Lamut, and Mayoyao. The development is still in the feasibility study phase, including the permitting process. Due to market constraints, the technical studies of the pumped storage facility have been temporarily suspended. An important component of the feasibility review is the Free Prior and Informed Consent from the indigenous peoples. SN AboitizPower-Ifugao will continue working with the government, indigenous peoples' representatives, and industry partners

C. Naga Power Plant

On April 30, 2014, Power Sector Assets and Liabilities Management (PSALM) issued a Notice of Award to AboitizPower subsidiary, Therma Power Visayas, Inc. (TPVI), for submitting the highest bid amounting to ₱1.08 bn. TPVI received the Certificate of Effectivity (COE) from PSALM last May 24, 2018. Thereafter, on July 16 2018 TPVI took possession of the power plant complex.

The facility is currently being assessed for maintenance and rehabilitation works. Due to its strategic location within the Cebu franchise area and its potential to provide a platform for future activities, AboitizPower believes that possession of the Naga complex will provide opportunities to to add to its generation portfolio.

D. RP Energy PSA

The 660-MW circulating fluidized bed coal-fired power plant located in Redondo Peninsula, Subic, Zambales, is a project undertaken by Redondo Peninsula Energy, Inc. (RP Energy), a joint venture among Meralco PowerGen Corporation (MPGC), TPI, and Taiwan Cogeneration International Corporation.

On April 20, 2016, RP Energy entered into a Power Service Agreement (PSA) with Manila Electric Company (Meralco) for a contracted capacity of 225 MW within a 20-year term. This PSA was filed for approval with the Energy Regulatory Commission (ERC) on April 29, 2016. Public hearings were subsequently held, and were concluded on January 6, 2017. To date, RP Energy is still awaiting the ERC's PSA approval.

E. Expansion of Existing Net Attributable Capacity

AboitizPower is focused on addressing the needs of its markets, including reliable supply, reasonable cost, and minimal impact on the environment and communities. The Company recognizes that there is no single technology that can address the country's energy requirements. Thus, AboitizPower believes that a mix of power generation technologies is necessary to address the country's needs. The Company will continue to pursue both renewable projects and thermal technologies, where and when it makes sense.

II. Power Distribution Business

AboitizPower expects that its existing distribution utilities will continue to realize modest growth. It continuously seeks efficiency and improvements in its distribution utilities' operations in order to maintain healthy margins.

A. Performance-Based Rate-Setting

Performance-Based Rate-setting Regulation (PBR) replaced the Return on Rate Base (RORB) mechanism, that had historically determined the distribution charges paid by customers. Under PBR, distribution utilities can collect rates from customers over a four-year regulatory period.

The ERC has implemented a Performance Incentive Scheme (PIS), whereby annual rate adjustments under PBR are made. The annual rate adjustments take into consideration the ability of a distribution utility to meet or exceed service performance targets set by the ERC, such as: (i) the average duration of power outages; (ii) the average time of restoration to customers; and (iii) the average time to respond to customer calls. The distribution utilities are either rewarded or penalized, depending on their ability to meet these performance targets.

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

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

The reset process for the Fourth Regulatory Period has not started for all private distribution utilities as the above-mentioned ERC rules have not been published, which is a condition for their effectivity. Due to the rules change on PBR, all Distribution Utilities of AboitizPower have not undergone the Third Regulatory Period.

B. System Loss Caps

In February 2018, the ERC issued Resolution No. 20, Series of 2017 (ERC Resolution No. 20-2017) entitled "A Resolution Adopting the ERC Rules for Setting the Distribution System Loss Cap and Establishing Performance Incentive Scheme for Distribution Efficiency". This set of rules provide for the new Distribution System Loss (DSL) cap that can be recovered and charged by distribution utilities to its customers, beginning in the May 2018 billing period. Private distribution utilities shall charge a 6.50% DSL cap for 2018, which shall be reduced gradually on an annual basis until a DSL cap level of 5.50% is achieved by the year 2021. The aforementioned caps are exclusive of sub-transmission and substation losses.

The rules allow distribution utilities to use an alternative method in determining an individualized DSL cap that it shall apply. The individualized cap has two components: one for technical loss (determined using load flow simulations on the DU's reference distribution system) and another for non-technical loss (which represents the level of non-technical loss that minimizes the costs to consumers). In determining the reasonable level of the individualized DSL cap, costs and benefits must be analyzed from the viewpoint of the customer.

On June 4, 2018, Cotabato Light and Power Company filed with ERC its individualized system loss cap application with technical loss cap at 7.48% and non-technical loss cap at 1.77%. The initial public hearing was conducted at ERC's Mindanao Field Office on August 2, 2018.

III. Solar Rooftop

Improvements in technical capabilities and commercial feasibility of distributed energy technologies is of long term strategic importance to AboitizPower. Through its participation in the nascent solar solutions space via the grid-tied rooftop solar power system, AboitizPower Distributed Renewables, Inc. intends to anticipate and reduce potential disruption across the value chain.

Groundwork completed include the attraction of top technical talent for photovoltaic (PV) solar technology such as PV design and structural engineering to set the foundation of developing in-house expertise. In addition, establishing commercial capabilities and exploring synergies with other teams within the Aboitiz Group such as the AboitizPower Retail Electricity Supplier and AboitizPower Distribution Utility customer teams, as well as Aboitiz Land, Inc. (AboitizLand) are in full swing.

Last February 2018, a 100 kW installation for Cebu Praedia Development Corporation, atop the roof of the Aboitiz Corporate Office at Banilad, Cebu was completed. Moreover, an agreement between AboitizLand and AboitizPower Distributed Renewables Inc. to develop a 1.6 MW rooftop solar solution for *The Outlets at Lipa* in the Lima Technology Center was finalized. While AboitizPower Distributed Renewables, Inc. initially caters to the robust demand from several business units within the Aboitiz Group to showcase the technology and refine service delivery, a pipeline of customers within the franchise area of distribution utilities as well as contestable customers of the RES are currently being processed.

IV. Market and Industry Developments

A. Policy on Competitive Selection Process in Securing Power Supply Agreements

In 2015, the DOE issued Department Circular No. DC2015-06-0008, entitled "Mandating all Distribution Utilities to Undergo Competitive Selection Process (CSP) in securing Power Supply Agreements (PSA)." The DOE recognizes that CSP in the procurement of PSAs by the distribution utilities ensures long term security and certainty of electricity prices of electric power to end-users.

On November 4, 2015, the ERC issued Resolution No. 13, Series of 2015, entitled "A Resolution Directing All Distribution Utilities to Conduct a Competitive Selection Process in the Procurement of their Supply in the Captive Market".

The adoption and implementation of the CSP is expected to increase transparency and competition in power supply contracting. The impact of CSP is prospective and, as such, its effectivity will not affect AboitizPower's existing contracts.

On February 9, 2018, the DOE issued Department Circular No. DC2018-02-0003, essentially modifying the existing policy on CSP of power supply contracting, applicable to both electric cooperatives and private distribution utilities. Distribution utilities are now mandated to create either an independent five-man third party bids and awards committee (TPBAC) that will manage their CSP supply procurements, or have a third party auctioneer (TPA). The TPBAC and the TPA shall be accountable to its decision in the conduct of the CSP.

If a TPBAC is established, it shall be comprised of five (5) members, three (3) of whom shall be officers and/or employees of the distribution utility, and two (2) members shall be captive customers that are not directly or indirectly connected/affiliated with the distribution utility.

If the relevant distribution utility opts to have a TPA to undertake CSP in its procurement of power supply, the TPA shall be composed of a team of private individuals or a private corporation duly recognized in the Philippines with expertise on competitive bidding and with sufficient knowledge of the electric power industry. The TPA should not be connected/affiliated either directly or indirectly with the relevant distribution utility. The accreditation of potential TPAs is handled by the ERC.

B. Renewable Portfolio Standards

On December 30, 2017, the DOE issued Department Circular No. DC2017-12-0015, or the "Renewable Portfolio Standards (RPS) On-Grid Rules". The new policy mandates distribution utilities, renewable energy suppliers, generation companies supplying directly connected customers, and other mandated energy sector participants (each, a "Mandated Participant") to source or produce a certain percentage share of their energy mix from eligible renewable energy (RE) facilities. Under the new policy, eligible RE facilities include the following technologies: biomass, waste-to-energy technology, wind, solar, hydro, ocean, geothermal, and such other RE technologies that may be later identified by the DOE.

The new policy mandates identified energy sector participants to comply with minimum annual RPS requirement in order to meet an "aspirational target" of 35% renewable energy supply in the generation mix by the year 2030. The RPS guidelines will implement a Minimum Annual Increment RE Percentage to be sold to mandated participants, initially set at 1% of the net electricity sales of the mandated participant for the previous year. Furthermore, this Minimum Annual Increment RE Percentage will be used to determine the current year's requirement for RE Certificates (RECs) of the Mandated Participant. RE sourcing shall be enforced on the third year from the issuance of the DOE

Circular in the year 2020, with the period 2018-2019 considered as the transition phases to project developments.

The RPS On-Grid Rules, which shall be implemented nationwide, also envisions the creation of an RE market where mandated participants comply with the Minimum Annual RPS Requirement through the allocation, generation, purchase or acquisition, or generation from net-metering arrangements, of RE Certificates. The RE Certificates will represent 1 MWh of generation produced from an eligible RE facility. Furthermore, all Mandated Participants must undertake a CSP in sourcing RE generation supply for its customers.

C. Retail Competition and Open Access

DOE Circular No. 2015-06-0010 and ERC Resolutions 5, 10, and 11, Series of 2016, are all subject of a Petition for Declaratory Relief filed by Meralco with the Regional Trial Court of Pasig (the "Pasig RTC") in June 2016 (the "Petition"). On July 13, 2016, the Pasig RTC has issued a writ of preliminary injunction enjoining the DOE and ERC from implementing the aforementioned Circular and Resolutions, insofar as relating to the prohibition on distribution utilities from engaging in the supply business, and the imposition of restrictions, contract term limits, mandatory contestability, and market caps.

On September 21, 2016, the DOE filed a Petition for Certiorari and Prohibition to the Supreme Court praying, among others, for the nullification of all Orders and Decisions issued by the Pasig RTC. The Supreme Court issued a Resolution on October 10, 2016 granting a Temporary Restraining Order enjoining the Pasig RTC from enforcing its decisions, orders, and resolutions related to the Petition until its final resolution.

On November 15, 2016, the ERC issued Resolution No. 28, Series of 2016, revising the timeframe of mandatory contestability from December 26, 2016 to February 26, 2017.

On February 21, 2017, the Supreme Court issued a TRO in relation to the petition to stop the implementation of the new regulations imposing mandatory contestability filed by Philippine Chamber of Commerce and Industry, San Beda College Alabang Inc., Ateneo de Manila University, and Riverbanks Development Corporation before the Supreme Court in December 2016. The TRO enjoined the ERC and the DOE from implementing ERC Resolutions No. 5, 10, 11, and 28, Series of 2016, and DOE Circular No. 2015-06-0010.

D. Mindanao Wholesale Electricity Spot Market

On May 4, 2017, the DOE issued DC 2017-05-0009 entitled "Declaring the Launch of WESM in Mindanao and Providing Transition Guidelines". This DOE Circular took effect on June 7, 2017, with the following pertinent provisions:

(a) Establishment of Mindanao WESM Transition Committee, which will be one of the committees under the Philippine Electricity Market Corporation (PEMC) Board;
(b) Launch of WESM in Mindanao on June 26, 2017, with the commencement of full commercial operations dependent on various conditions precedent, including installation of metering facilities, approval of the Price Determination Methodology by the ERC, and trial operations of the WESM, among others;
(c) conduct of the Trial Operation Program for the WESM;
(d) Automatic termination of IMEM; and
(e) Implementation of an Interim Protocol to govern the dispatch and scheduling of power generation plants, while the WESM is still not operational.

E. Reserve Market

On December 2, 2013, the DOE issued Department Circular No. DC2013-12-0027 entitled: "Declaring the Commercial Launch for the Trading of Ancillary Service in Luzon and Visayas under the Philippine Wholesale Electricity Spot Market". This DOE Circular sets the responsibility of the PEMC, National Grid Corporation of the Philippines (NGCP), National Electrification Administration, and all WESM members in relation to the operation of the Reserve Market (market that basically provides back-up power that could be tapped by the NGCP). As of this writing, no date has been set for the launch of the Reserve Market.

Pending the ERC's approval of the Price Determination Methodology of the Reserve Market, the DOE and PEMC implemented the Central Dispatch and Scheduling of Energy and Reserves in the WESM starting January 2016. The protocol follows that of the Reserve Market, with participants being only those contracted with NGCP, and that no settlement amount will come from the WESM.

F. Feed-in-Tariff Scheme

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

G. Green Energy Option

On July 18, 2018, the DOE issued Department Circular No. DC2018-07-0019, "Promulgating the Rules and Guidelines Governing the Establishment of the Green Energy Option Program (GEOP) Pursuant to the Renewable Energy Act of 2008". The circular was issued pursuant to Section 9, Chapter III of the Renewable Energy Law, which authorizes the establishment of a Green Energy Option Program (GEOP).

The GEOP is a RE policy mechanism which provides end-users the option to choose RE resources. The GEOP rules establish the general guidelines and procedures governing transactions between consumers, RE suppliers and network service providers, on choosing and using RE resources at the least cost and sustainable manner.

The GEOP provides consumers the option to source their power supply from Renewable Energy increasing demand and opening up the potential for further RE developments in the country.

H. Implementing Rules and Regulations of the Energy Investment Coordinating Council

On May 04, 2018, the DOE issued Department Circular No. DC2018-04-0013, setting the Implementing Rules and Regulations of Executive Order 30 which was signed by President Rodrigo Duterte in June 2017. EO 30 created the Energy Investment Coordinating Council (EICC) to streamline the regulatory process affecting energy projects considered as projects of national significance.

Under the IRR, the processing of permits and licenses for projects deemed as "Energy Projects of National Significance" (EPNS) shall be within a maximum period of 30 days. The 30 day period will start from the complete submission of all documentary requirements to the pertinent government agency involved in the permitting process.

The EICC has yet to issue any certification declaring power projects as "Energy Projects of National Significance". The certification will be beneficial to "greenfield projects" as this will lead to a streamline and faster approval process of government permits required for said projects.

I. Shift to Independent Market Operator for WESM

On February 04, 2018, the DOE issued DOE Circular DC2018-01-0002, setting the policy governing the establishment of an independent market operator (IMO) of the Wholesale Electricity Spot Market (WESM). The policy on IMO outlines the mandates of the DOE and the ERC over the independent market operator, its guiding principles, composition, including a board composed of at least five members, its functions, and WESM's new governing and governance structure and the conditions for transition.

The IMO transition plan called for the formation of a new company called the Independent Electricity Market Operator of the Philippines (IEMOP) as an independent market operator with PEMC remaining as WESM's governing body. Previously, the Philippine Electric Market Corporation (PEMC), oversees both the operations and governance functions of WESM.

The transition also entails the reconstitution of the PEM Board, with the DOE Secretary relinquishing his chairmanship, paving the way for a PEMC independent of government.

V. Capital Expenditure for 2018

AboitizPower has alloted P62 bn for capital expenditures in 2018, of which 82% is for new thermal projects, 3% for new renewable projects, and 15% for exploratory and operating activities.

Banking & Financial Services SBU

I. UnionBank of the Philippines, Inc. (UnionBank, the Bank)

UnionBank continues to make major headways in its 10-year business transformation roadmap called FOCUS 2020, with the vision of becoming one of the top three universal banks in the Philippines. The vision is not measured in terms of asset size or branch network, but rather in terms of metrics under financial value to stakeholders, operational excellence, customer franchise/share of wallet, unique customer experience, and delivering superior and innovative products and services.

Furthermore, the Bank's primary objective is to become a leading retail bank. This means that it needs to increase its core earning asset base, attain a balanced source of revenues, and shift towards a recurring income business model as it fortifies its balance sheet.

Now that the Bank is at the tail-end of its FOCUS 2020 strategic plan, the shift has become more evident, with the Bank showing progress in terms of its objective of becoming one of the country's leading retail banks. Majority of the Bank's revenues are already recurring in nature, ranging for as low as 71% in 2013 to as high as 99% in 2017, and currently at 93% in the first nine months of 2018. Likewise, the retail segment already accounts for a significant portion of the Bank's revenues, averaging 50% in the past five years.

Amid these milestones, UnionBank will continue to leverage on its core strengths which drive its performance. It leverages on capital, which prompts the Bank to shift from trading to building recurring income to provide stable returns and predictability in the growth of shareholder value. It leverages on transforming its branches and establishing competence of the sales force, rather than

expanding the brick-and-mortar network, to cater to changing customer expectations. It leverages on corporate relationships, by providing superior cash management solutions to anchor clients and in the process, penetrate their entire ecosystem. The Bank leverages on processes, which is about building the foundation of the Bank's automation and digital transformation initiatives. It leverages on partners, to build synergies for the expansion of products and services, as well as customer reach. It leverages on having a unique UnionBank DNA, focused on building the right culture and organizational capabilities. Last but not the least, the Bank leverages on its subsidiaries, such as City Savings Bank (CitySavings), which is the Bank's avenue to expand reach towards the underserved segment for inclusive prosperity.

In addition, the Bank is also embarking on Dual Transformation Strategy in order to improve its current and future competitive advantages at present and into the future. The strategy is composed of the following:

1) Transformation A, through which the Bank will be repositioned as a Digital Bank through the application of the latest technologies as part of its core banking systems to quickly respond to changing customer demands. At the same time, the Bank intends to use these same advanced technologies to move into adjacent markets and become a leading Mass Market Bank (which was previously referred to as Transformation C+). The Bank's goal does not solely revolve around acquiring mass market-focused institutions to widen scope in key segments, but in using technology to improve operational efficiencies and ramp up scale towards achieving its goal of inclusive prosperity; and

2) Transformation B, through which the Bank will seek new business models of the future. The goal is to immerse the Bank in emerging technologies (such as the blockchain and the token economy) that may disrupt the banking industry. UnionBank intends to bank, enable, and invest in fintechs in order to enable it to embed financial technology into its customer services platforms. The Bank's goal is to make its services indispensable in a rapidly evolving environment for financial services where banking is not simply transactional but also part of an embedded customer experience.

UnionBank has alloted ₱2 billion (bn) for capital expenditures in 2018.

II. PETNET, Inc. (PETNET)

UnionBank's subsidiaries, CitySavings and Union Properties, Inc., signed an agreement to purchase AEV's shares in PETNET on February 9, 2018. The sale was approved by the Philippine Competition Commission on May 10, 2018. As of the date hereof, the approval of the Bangko Sentral ng Pilipinas for the transaction is still pending.

Food SBU

Pilmico remains aggressive in growing its core businesses in the Philippines while building new ones in the ASEAN region. True to its brand promise of being its customer's Partner for Growth, Pilmico will continue to strive for business excellence by providing solutions and building additional partnerships.

Pilmico intends to continue to expand its footprint in the ASEAN region, thereby increasing its customer base from 100 mn to 600 mn. Through diversification and integration, Pilmico expects to grow domestically and internationally as it aims to increase shareholder value.

For its Flour business, Pilmico plans to expand its market reach in the ASEAN region with the export of

its flour products and by exploring production capabilities in the region. Likewise, Pilmico expects to broaden its flour product portfolio offering for both local and international distribution.

The Farms business plans to proceed to the next sow level ramp up of 20,000 sows, and integrate the business further through the value chain with a new meat processing plant. It expects to likewise grow its current monthly egg production from 4 mn this year to 15 mn by quadrupling its current layers' capacity.

To further grow and strengthen its Feeds business in the Philippines, Pilmico plans to expand its feed mill capacity in both Iligan and Tarlac. Also, investments in the improvement of warehousing and logistics will be put in place to cater to ever-evolving customer needs. These enhancements are expected to enable Pilmico to serve its growing animal feeds-related businesses in the Philippines and increasing its foothold in the industry.

It actively pursues opportunities in the ASEAN region through expansion, as well as via mergers and acquisitions.In particular, on July 27, 2018, Pilmico successfully completed the acquisition of a regional feeds player, GCMH, which operates in 11 countries across Asia (including China). This acquisition is a transformative deal for Pilmico as it is a significant offshore expansion of one of its core business, feed milling. This deal placed Pilmico roughly 10 years ahead of its business plan. It will also allow Pilmico to harness synergies in terms of alignment and integration of raw materials, access to leverage and capital, research & development and formulation, and create opportunities for cross-selling of products and manufacturing best practices.

Pilmico and GCMH combined are favorably situated in terms of industry and geography and are poised to capture the expected growth in protein consumption, as demand currently continues to outstrip supply.

Pilmico has allotted ₱5 bn for capital expenditures in 2018.

Infrastructure SBU

I. Aboitiz InfraCapital (AIC)

AIC remains committed to participating in the Philippine infrastructure space and contributing to the nation's development.

AIC is a member of the Ninoy Aquino International Airport (NAIA) Consortium, which has recently been granted Original Proponent Status by the Department of Transportation (DOTr) for its unsolicited proposal. The Consortium looks forward to being able to provide the much-needed upgrades to NAIA and complement government to enhance the overall passenger experience and improve operational efficiency as the nation's primary gateway. AIC, together with the other members of the Consortium will continue to work with government through the next steps in the process of getting approval from the National Economic Development Authority and Swiss Challenge, in accordance with Republic Act No. 6957 also known as the BOT law.

Similar to NAIA, AIC was also recently granted Original Proponent Status by the DOTr for its unsolicited proposal to operate and maintain the New Bohol International Airport. This new international airport located in the island of Panglao has significant growth prospects given Bohol's strong tourism potential, especially with the international market. This project is aligned with AIC's objective to support regional development centers outside of Manila. As per the DOTr, the airport is expected to commence operations this year with a capacity of approximately 2 million passengers.

Apo Agua Infrastructura, Inc. (Apo Agua)

Apo Agua, the project company between AEV and J.V. Angeles Construction Corp. (JVACC), will design, construct and operate a hydroelectric powered-raw water treatment facility and a conveyance system which will deliver a minimum contracted annual volume of 109.5 mn cubic meters (equivalent to 300 million liters per day) of treated bulk water to Davao City over a 30-year period.

On March 17, 2015, Apo Agua signed the Contractual Joint Venture Agreement and Bulk Water Purchase Agreement (BWPA) with Davao City Water District (DCWD) for the financing, design, construction and operations of the Tamugan Surface Water Development Project.

Key permitting activities have been completed. Preparation works for construction are ongoing.

Apo Agua is also working closely with lenders to finalize the financing of the project.

Apo Agua expects to start commercial operations by 2021, allowing it to provide Davao City with a sustainable and much-needed water supply.

AIC intends to use its existing water portfolio consisting of Apo Agua, Lima Water Corporation, and Balibago Water System, Inc. as a strategic platform to build the Group's water business. It will look into unserved highly-urbanized cities for opportunities to expand its footprint in the water space across the country.

AIC has allotted ₱4 bn for capital expenditures in 2018.

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

Market demand in residential and non-residential markets remained steady and public-sector infrastructure projects are starting to pick up. Republic experienced strong headwinds from imports, higher fuel and energy costs, and competitive pressures.

The sector is expected to remain highly competitive with new local capacity and continued imports.

Republic remains focused on serving its key markets throughout the county with high-quality products, while improving efficiencies and reducing costs to best adapt to the challenging environment. The long-term outlook for the construction industry remains strong with public-sector infrastructure projects picking up and growing economy.

Republic will invest approximately US$300 million to boost the milling and clinker production capacity of all its integrated plants in Luzon and Mindanao. In addition, Debottlenecking projects will increase clinker output in Luzon plants, resulting in a lower delivered cost position, while improving environmental performance.

These investments will enable Republic to increase its cement production capacity by 1.7 million tons per year, assures the continued supply of cement for the local construction sector in support of the current administration's Build Build Build infrastructure program, and the foreseen strong demand for commercial and residential spaces.

Land SBU

By securing land in strategic areas, crafting unique project designs, and focusing on lucrative niches, AboitizLand is firmly committed to building and nurturing communities. Focused on growth, AboitizLand looks forward to the addition of new projects to its residential and commercial business, whilst expanding its industrial portfolio.

Following the successful launch of its first residential project in Luzon (*Seafront Residences*), AboitizLand recently launched its two newest residential projects in Central Luzon, namely *Ajoya Cabanatuan* and *Ajoya Capas*. The arrival of the *Ajoya* brand (Aboitizland's mid-market residential product) in the Luzon market marks another step forward in Aboitizland's overall mid-market focused growth plan. *The Outlets at Lipa*, Aboitizland's largest commercial development to date, is set to be launched this December 2018 – another key milestone as it will greatly augment and strengthen the commercial business' existing portfolio.

AboitizLand has allotted ₱5 bn for capital expenditures in 2018.

PART II--OTHER INFORMATION

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

SIGNATURES

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

Issuer	**ABOITIZ EQUITY VENTURES, INC.**
Principal Accounting Officer	**Melinda R. Bathan**
Signature and Title	**First Vice President and Comptroller**
Date	14 NOV 2018
Authorized Officer of the Issuer	**Manuel Alberto R. Colayco**
Signature and Title	**First Vice President and Chief Legal Officer/Corporate Secretary/Chief Compliance Officer**
Date	14 NOV 2018

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

(Amounts in thousands)

	September 30, 2018 Unaudited	December 31, 2017 Audited
ASSETS		
Current Assets		
Cash and cash equivalents	**47,816,241**	64,870,214
Trade and other receivables	**35,923,643**	24,192,785
Inventories	**19,944,801**	12,453,335
Derivative asset	**1,019,968**	228,644
Other current assets	**20,882,980**	12,442,517
Total Current Assets	**125,587,633**	114,187,494
Noncurrent Assets		
Property, plant and equipment	**221,701,961**	213,232,540
Investments and advances	**106,576,117**	91,922,376
Investment properties	**7,301,423**	6,844,633
Land and improvements	**3,739,458**	3,689,677
Intangible asset - service concession rights	**3,749,761**	3,062,307
Goodwill	**56,860,810**	41,308,689
Deferred income tax assets	**1,918,843**	1,525,630
Trade receivables - net of current portion	**597,448**	580,925
Derivative asset - net of current portion	**531,060**	113,297
Investments in financial assets at FVTPL	**632,845**	-
Available-for-sale (AFS) investments	**-**	772,794
Debt investments at amortized cost	**465,352**	-
Held-to-maturity (HTM) investments	**-**	189,216
Net pension assets	**137,001**	176,952
Other noncurrent assets	**12,488,107**	14,637,950
Total Noncurrent Assets	**416,700,187**	378,056,987
TOTAL ASSETS	**542,287,820**	492,244,481
LIABILITIES AND EQUITY		
Current Liabilities		
Bank loans	**28,487,960**	23,701,140
Trade and other payables	**34,570,957**	24,536,584
Derivative liability	**171**	47,577
Current portions of:		
Long-term debts	**10,272,317**	20,722,330
Long-term obligation on Power Distribution System (PDS)	**40,000**	40,000
Obligations under finance lease	**4,082,570**	3,316,165
Income tax payable	**858,325**	703,489
Total Current Liabilities	**78,312,300**	73,067,285
Noncurrent Liabilities		
Noncurrent portions of:		
Obligations under finance lease	**44,481,919**	45,909,089
Long-term debts	**195,245,031**	168,364,717
Long-term obligation on PDS	**206,640**	186,071
Trade payables	**488,888**	880,943
Derivative liability - net of current portion	**3,480**	-
Customers' deposits	**6,367,223**	6,269,383
Asset retirement obligation	**3,111,389**	2,959,060
Deferred income tax liabilities	**1,677,054**	1,623,915
Net pension liability	**554,654**	400,306
Total Noncurrent Liabilities	**252,136,278**	226,593,483
Total Liabilities	**330,448,578**	299,660,769
Equity Attributable to Equity Holders of the Parent		
Capital stock	**5,694,600**	5,694,600
Additional paid-in capital	**13,013,197**	13,013,197
Other equity reserves:		
Gain on dilution	**5,043,152**	5,043,152
Excess of book value over acquisition cost of an acquired subsidiary	**469,540**	469,540
Acquisition of non-controlling interests	**(1,577,073)**	(1,577,073)
Accumulated other comprehensive income:		
Net unrealized mark-to-market gains on AFS investments	**-**	17,279
Cumulative translation adjustments	**1,848,807**	189,465
Actuarial losses on defined benefit plans	**(658,930)**	(657,754)
Share in actuarial losses on defined benefit plans of associates and joint ventures	**(562,299)**	(537,099)
Share in cumulative translation adjustments of associates and joint ventures	**341,285**	(107,913)
Share in net unrealized mark-to-market gains on investments in financial assets at FVOCI of associates	**129,338**	-
Share in net unrealized mark-to-market losses on AFS investments of an associate	**-**	(3,237,987)
Retained earnings		
Appropriated	**4,200,000**	1,622,000
Unappropriated	**143,646,157**	135,600,929
Treasury stock at cost	**(521,132)**	(521,132)
	171,066,643	155,011,203
Non-controlling Interests	**40,772,599**	37,572,509
Total Equity	**211,839,242**	192,583,712
TOTAL LIABILITIES AND EQUITY	**542,287,820**	492,244,481

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME

For the nine months ended September 30, 2018 and September 30, 2017

(Amounts in thousands, except earnings per share amounts)

(Unaudited)

	For the nine months ended September 30		For the quarter ended September 30	
	2018	2017	2018	2017
OPERATING REVENUES	**135,252,276**	111,475,138	**51,879,864**	39,752,050
OPERATING EXPENSES	**106,083,027**	84,863,348	**40,285,397**	29,207,744
FINANCIAL INCOME (EXPENSES)				
Interest income	**1,100,191**	964,507	**424,081**	348,099
Interest expense	**(10,240,305)**	(10,293,202)	**(3,831,517)**	(4,184,159)
	(9,140,114)	(9,328,695)	**(3,407,436)**	(3,836,060)
OTHER INCOME - NET				
Share in net earnings of associates and joint ventures	**6,505,811**	6,827,938	**2,422,389**	2,036,326
Other income	**1,049,494**	672,813	**926,019**	355,231
	7,555,305	7,500,751	**3,348,409**	2,391,557
INCOME BEFORE INCOME TAX	**27,584,440**	24,783,846	**11,535,440**	9,099,802
PROVISION FOR INCOME TAX	**3,235,070**	3,669,035	**1,127,855**	1,585,987
NET INCOME	**24,349,369**	21,114,811	**10,407,584**	7,513,814
ATTRIBUTABLE TO:				
Equity holders of the parent	**17,318,735**	15,904,858	**7,232,588**	5,634,532
Non-controlling interests	**7,030,635**	5,209,953	**3,174,996**	1,879,282
	24,349,369	21,114,811	**10,407,584**	7,513,814
EARNINGS PER COMMON SHARE				
Basic and diluted, for income for the year attributable to ordinary equity holders of the parent	**3.074**	2.823	**1.284**	1.000

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in thousands)

(Unaudited)

	For the nine months ended September 30		For the quarter ended September 30	
	2018	**2017**	**2018**	**2017**
NET INCOME ATTRIBUTABLE TO:				
Equity holders of the parent	**17,318,735**	15,904,858	**7,232,588**	5,634,532
Non-controlling interests	**7,030,635**	5,209,953	**3,174,996**	1,879,282
	24,349,369	21,114,811	**10,407,584**	7,513,814
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that may be reclassified to consolidated statements of income:				
Share in net unrealized mark-to-market gains on investments in financial assets at FVOCI of associates and joint ventures	**3,367,325**	-	**3,298,452**	-
Movement in cumulative translation adjustments	**2,197,505**	783,517	**26,919**	428,880
Share in movement in cumulative translation adjustments of associates and joint ventures	**583,953**	-	**828,981**	-
Movement in net unrealized mark-to-market losses on investments in financial assets at FVOCI	**(9,557)**	-	**(2,493)**	-
Share in movement in net unrealized mark-to-market gains on AFS investments of associates	-	2,923,979	-	608,707
Movement in net unrealized mark-to-market losses on AFS investments	-	(2,915)	-	(3,227)
	6,139,226	3,704,580	**4,151,859**	1,034,360
Items that will not be reclassified to consolidated statements of income:				
Movement in actuarial gains (losses) on defined benefit plans, net of tax	**(1,176)**	(231)	**(2)**	351
Share in movement in actuarial losses on defined benefit plans of associates and joint ventures, net of tax	**(25,132)**	(18,027)	**(2,879)**	-
	(26,307)	(18,258)	**(2,881)**	351
TOTAL COMPREHENSIVE INCOME	**30,462,289**	24,801,134	**14,556,562**	8,548,525
ATTRIBUTABLE TO:				
Equity holders of the parent	**22,750,946**	19,433,837	**11,121,327**	6,586,021
Non-controlling interests	**7,711,342**	5,367,297	**3,435,235**	1,962,504
	30,462,289	24,801,134	**14,556,562**	8,548,525

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE PERIODS ENDED SEPTEMBER 30, 2018, and DECEMBER 31, 2017

	Attributable to owners of the parent																
												Retained Earnings					
	Capital Stock Common	Additional Paid-in Capital	Gain on Dilution	Excess of Book Value over Acquisition Cost of an Acquired Subsidiary	Acquisition of Non-controlling Interests	Net Unrealized Mark-to-market Gains (Losses) on Investments in Financial Assets at FVOCI	Cumulative Translation Adjustments	Actuarial Losses on Defined Benefit Plans	Share in Actuarial Losses on Defined Benefit Plans of Associates	Share in Cumulative Translation Adjustments of Associates	Share in Net Unrealized Mark-to-market Gains (Losses) on Investments in Financial Assets at FVOCI of an Associate	Appropriated	Unappropriated	Treasury Stock	Total	Non-controlling Interests	Total
Balances at January 1, 2018, as previously reported	5,694,600	13,013,197	5,043,152	469,540	(1,577,073)	17,279	189,465	(657,754)	(537,099)	(107,913)	(3,237,987)	1,622,000	135,600,929	(521,132)	155,011,203	38,152,297	193,163,500
Effects of adoption of acctg standards (PFRS 9 and 15 in 2018)													515,748		515,748		515,748
Balances at January 1, 2018, as restated	5,694,600	13,013,197	5,043,152	469,540	(1,577,073)	17,279	189,465	(657,754)	(537,099)	(107,913)	(3,237,987)	1,622,000	136,116,677	(521,132)	155,526,951	38,152,297	193,679,248
Net income for the period	-	-	-	-	-	-	-	-	-	-	-	-	17,318,735	-	17,318,735	7,030,635	24,349,369
Other comprehensive income																	
Movement of mark-to-market gains (losses) on investments in financial assets at FVOCI	-	-	-	-	-	(17,279)	-	-	-	-	-	-	-	-	(17,279)	7,722	(9,557)
Movement in cumulative translation adjustments	-	-	-	-	-	-	1,659,342	-	-	-	-	-	-	-	1,659,342	538,163	2,197,505
Actuarial losses on defined benefit plans, net of tax	-	-	-	-	-	-	-	(1,176)	-	-	-	-	-	-	(1,176)	-	(1,176)
Share in movement of actuarial gains (losses) on defined benefit plan of associates	-	-	-	-	-	-	-	-	(25,199)	-	-	-	-	-	(25,199)	68	(25,132)
Share in cumulative translation adjustment of associates	-	-	-	-	-	-	-	-	-	449,198	-	-	-	-	449,198	134,755	583,953
Share in movement of unrealized mark-to-market gains on investments in financial assets at FVOCI of associates	-	-	-	-	-	-	-	-	-	-	3,367,325	-	-	-	3,367,325	-	3,367,325
Total comprehensive income (loss) for the year	-	-	-	-	-	(17,279)	1,659,342	(1,176)	(25,199)	449,198	3,367,325	-	17,318,735	-	22,750,946	7,711,342	30,462,289
Appropriation during the year	-	-	-	-	-	-	-	-	-	-	-	2,578,000	(2,578,000)	-	-	-	-
Cash dividends - P1.28 per share	-	-	-	-	-	-	-	-	-	-	-	-	(7,211,254)	-	(7,211,254)	-	(7,211,254)
Cash dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-		-	-	(6,370,777)	(6,370,777)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-		-	-	1,279,737	1,279,737
Balances at September 30, 2018	5,694,600	13,013,197	5,043,152	469,540	(1,577,073)	0	1,848,807	(658,930)	(562,299)	341,285	129,338	4,200,000	143,646,157	(521,132)	171,066,643	40,772,599	211,839,242

	Attributable to owners of the parent																
	Capital Stock Common	Additional Paid-in Capital	Gain on Dilution	Excess of Book Value over Acquisition Cost of an Acquired Subsidiary	Acquisition of Non-controlling Interests	Net Unrealized Mark-to-market Gains on AFS Investments	Cumulative Translation Adjustments	Actuarial Losses on Defined Benefit Plans	Share in Actuarial Losses on Defined Benefit Plans of Associates	Share in Cumulative Translation Adjustments of Associates	Share in Net Unrealized Mark-to-market Gains (Losses) on AFS Investments Gains (Losses) on AFS Investments of an Associate	Retained Earnings Appropriated	Retained Earnings Unappropriated	Treasury Stock	Total	Non-controlling Interests	Total
Balances at January 1, 2017	5,694,600	13,013,197	5,376,176	469,540	(1,577,073)	9,106	34,262	(783,891)	(513,132)	(95,378)	(3,938,424)	2,717,000	120,390,178	(521,132)	140,275,029	33,120,592	173,395,621
Net income for the period	-	-	-	-	-	-	-	-	-	-	-	-	15,904,858	-	15,904,858	5,209,953	21,114,811
Other comprehensive income																	
Movement of net unrealized mark-to-market gains (losses) on AFS investments	-	-	-	-	-	9,486	-	-	-	-	-	-	-	-	9,486	(12,401)	(2,915)
Movement in cumulative translation adjustments	-	-	-	-	-	-	613,772	-	-	-	-	-	-	-	613,772	169,745	783,517
Actuarial losses on defined benefit plans, net of tax	-	-	-	-	-	-	-	(231)	-	-	-	-	-	-	(231)	-	(231)
Share in movement in actuarial losses on defined benefit plan of associates and joint ventures	-	-	-	-	-	-	-	-	(18,027)	-	-	-	-	-	(18,027)	-	(18,027)
Share in movement of cumulative translation adjustment of associates	-	-	-	-	-	-	-	-	-	1	-	-	-	-	1	(1)	-
Share in movement of unrealized mark-to-market gains on AFS investments of associates	-	-	-	-	-	-	-	-	-	-	2,923,979	-	-	-	2,923,979	-	2,923,979
Total comprehensive income (loss) for the year	-	-	-	-	-	9,486	613,772	(231)	(18,027)	1	2,923,979	-	15,904,858	-	19,433,837	5,367,297	24,801,134
Reversal of appropriation during the year	-	-	-	-	-	-	-	-	-	-	-	(1,095,000)	1,095,000	-	-	-	-
Cash dividends - P1.33 per share	-	-	-	-	-	-	-	-	-	-	-	-	(7,492,944)	-	(7,492,944)	-	(7,492,944)
Cash dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,168,543)	(3,168,543)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(123,172)	(123,172)
Balances at September 30, 2017	5,694,600	13,013,197	5,376,176	469,540	(1,577,073)	18,592	648,033	(784,121)	(531,160)	(95,377)	(1,014,446)	1,622,000	129,897,092	(521,132)	152,215,922	35,196,173	187,412,095

	Attributable to owners of the parent																
												Retained Earnings					
	Capital Stock Common	Additional Paid-in Capital	Gain on Dilution	Excess of Book Value over Acquisition Cost of an Acquired Subsidiary	Acquisition of Non-controlling Interests	Net Unrealized Mark-to-market Gains Losses on AFS Investments	Cumulative Translation Adjustments	Actuarial Gains (Losses) on Defined Benefit Plans	Share in Actuarial Losses on Defined Benefit Plans of Associates	Share in Cumulative Translation Adjustments of Associates	Share in Net Unrealized Mark-to-market Gains (Losses) on Investments in Financial Assets at FVOCI of an Associate	Appropriated	Unappropriated	Treasury Stock	Total	Non-controlling Interests	Total
Balances at January 1, 2017	5,694,600	13,013,197	5,376,176	469,540	(1,577,073)	9,106	34,262	(783,891)	(513,132)	(95,378)	(3,938,424)	2,717,000	120,390,178	(521,132)	140,275,029	33,700,380	173,975,410
Net income for the period	-	-	-	-	-	-	-	-	-	-	-	-	21,608,695	-	21,608,695	7,670,326	29,279,021
Other comprehensive income																	
Movement of net unrealized mark-to-market gains (losses) on AFS investments	-	-	-	-	-	8,172	-	-	-	-	-	-	-	-	8,172	(10,586)	(2,413)
Movement in cumulative translation adjustments	-	-	-	-	-	-	155,203	-	-	-	-	-	-	-	155,203	44,354	199,557
Actuarial gains on defined benefit plans, net of tax	-	-	-	-	-	-	-	126,137	-	-	-	-	-	-	126,137	-	126,137
Share in movement in actuarial gains (losses) on defined benefit plan of associates and joint ventures	-	-	-	-	-	-	-	-	(23,967)	-	-	-	-	-	(23,967)	1,179	(22,788)
Share in cumulative translation adjustment of associates	-	-	-	-	-	-	-	-	-	(12,535)	-	-	-	-	(12,535)	(3,770)	(16,305)
Share in movement in unrealized mark-to-market gains on AFS investments of associates	-	-	-	-	-	-	-	-	-	-	700,437	-	-	-	700,437	2,127	702,564
Total comprehensive income (loss) for the year	-	-	-	-	-	8,172	155,203	126,137	(23,967)	(12,535)	700,437	-	21,608,695	-	22,562,143	7,703,629	30,265,772
Gain on dilution	-	-	(333,025)	-	-	-	-	-	-	-	-	-	-	-	(333,025)	-	(333,025)
Cash dividends - P1.33 per share	-	-	-	-	-	-	-	-	-	-	-	-	(7,492,944)	-	(7,492,944)	-	(7,492,944)
Reversal of appropriation during the year	-	-	-	-	-	-	-	-	-	-	-	(1,095,000)	1,095,000	-	-	-	-
Cash dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,077,223)	(3,077,223)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(754,277)	(754,277)
Balances at December 31, 2017	5,694,600	13,013,197	5,043,152	469,540	(1,577,073)	17,279	189,465	(657,754)	(537,099)	(107,913)	(3,237,987)	1,622,000	135,600,929	(521,132)	155,011,203	37,572,509	192,583,712

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands)

(Unaudited)

	For the nine months ended September 30		For the quarter ended September 30	
	2018	**2017**	**2018**	**2017**
CASH FLOWS FROM OPERATING ACTIVITIES:				
Income before income tax	**27,584,440**	24,783,846	**11,535,440**	17,564,279
Adjustments for:				
Interest expense	**10,240,305**	10,293,202	**3,867,860**	6,945,004
Depreciation and amortization	**7,114,378**	6,301,261	**2,537,244**	4,317,922
Net unrealized foreign exchange loss (gain)	**1,479,305**	1,185,396	**(83,668)**	653,292
Write-off of project costs and others	**-**	1,175	**-**	1,175
Unrealized fair valuation losses on Investments at FVTPL	**19,905**	-	**19,905**	-
Unrealized fair valuation losses (gains) on derivatives	**193,991**	13,979	**(10,313)**	(157,116)
Amortization of computer softwares and other intangibles	**32,414**	52,022	**(19,975)**	15,986
Loss (Gain) on sale of property, plant & equipment	**108,624**	(61,099)	**71,309**	(59,857)
Dividend income	**(16,136)**	(883)	**(484)**	(433)
Loss (gain) on sale of available for sale investments	**-**	(1,112)	**-**	1,105
Interest income	**(1,100,191)**	(964,507)	**(460,424)**	(485,461)
Share in net earnings of associates	**(6,505,811)**	(6,827,937)	**(2,417,980)**	(4,307,840)
Operating income before working capital changes	**39,151,225**	34,775,344	**15,038,914**	24,488,057
Increase in operating assets	**(14,370,476)**	(4,575,415)	**(3,380,123)**	(2,819,913)
Increase (decrease) in operating liabilities	**3,003,126**	(757,671)	**(1,068,581)**	404,025
Net cash generated from operations	**27,783,874**	29,442,258	**10,590,209**	22,072,169
Income and final taxes paid	**(2,905,569)**	(2,651,589)	**(706,098)**	(2,299,303)
Net cash flows from operating activities	**24,878,305**	26,790,669	**9,884,111**	19,772,866
CASH FLOWS FROM INVESTING ACTIVITIES:				
Cash dividends received	**3,817,217**	4,272,364	**1,909,940**	2,508,800
Interest received	**1,211,869**	1,064,459	**490,082**	621,593
Acquisition through business combination, net of cash disposed (acquired)	**(15,972,107)**	-	**(15,972,107)**	-
Disposals of (additions to):				
AFS investments	**-**	(229,274)	**-**	(208,882)
Investments at FVTPL	**(145,745)**		**85,813**	-
Land and improvements	**(49,781)**	37,506	**(3,904)**	364
Investments in associates	**(7,229,213)**	(524,786)	**(5,978,620)**	(274,693)
Property, plant and equipment and investment properties- net	**(9,653,157)**	(14,302,711)	**(3,368,651)**	(9,628,522)
Collection of advances to associates	**-**	-	**10,090**	**-**
Increase in intangible assets	**(727,075)**	(60,250)	**(385,494)**	(49,329)
Decrease (increase) in other assets / (decrease) increase in other liabilities	**(47,372)**	(2,918,900)	**(1,209,271)**	(3,212,337)
Net cash flows used in investing activities	**(28,795,364)**	(12,661,591)	**(24,422,123)**	(10,243,005)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Net proceeds from bank loans	**2,433,859**	8,985,871	**116,577**	4,193,494
Cash dividends paid and other changes to non-controlling interests	**(6,370,777)**	(3,168,543)	**(2,320,592)**	(2,717,960)
Net proceeds from long-term debt	**10,806,071**	7,961,275	**2,345,820**	9,340,327
Interest paid	**(6,557,069)**	(5,604,992)	**(3,295,537)**	(3,588,442)
Payments of finance lease obligation	**(6,793,088)**	(5,705,813)	**(4,546,425)**	(3,559,134)
Cash dividends paid to equity holders of the parent	**(7,211,254)**	(7,492,944)	**-**	(7,492,944)
Net cash flows used in financing activities	**(13,692,258)**	(5,025,146)	**(7,700,157)**	(3,824,660)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(17,609,317)**	9,103,931	**(22,238,169)**	5,705,201
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH & CASH EQUIVALENTS	**555,344**	92,202	**8,960,901**	380,884
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**64,870,214**	63,857,528	**61,093,509**	66,967,576
CASH AND SHORT-TERM INVESTMENTS AT END OF PERIOD	**47,816,241**	73,053,661	**47,816,242**	73,053,661

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS SCHEDULES AND DISCLOSURES

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

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

1. Revenues

	For the nine months ended September 30		For the quarter ended September 30	
	2018	2017	**2018**	2017
Sale of:				
Power and electricity	**99,804,263**	88,177,040	**34,774,809**	31,654,869
Goods	**28,650,064**	17,345,999	**14,971,685**	5,966,820
Real estate	**2,978,619**	2,384,090	**1,007,449**	859,980
Fair value of swine	**1,995,226**	1,745,569	**627,612**	642,304.00
Service fees	**1,670,229**	1,608,283	**456,396**	562,186
Others	**153,875**	214,157	**41,913**	65,891
	135,252,276	111,475,138	**51,879,864**	39,752,050

2. Costs & Expenses

	For the nine months ended September 30		For the quarter ended September 30	
	2018	2017	**2018**	2017
Cost of generated and purchased power	**55,096,991**	49,181,040	**18,310,234**	17,094,714
Cost of goods sold	**26,083,037**	15,387,873	**13,488,075**	5,296,126
Operating expenses	**23,007,656**	18,894,897	**7,849,377**	6,320,674
Cost of real estate sales	**1,770,993**	1,293,889	**598,281**	461,114
Overhead expenses	**124,351**	105,649	**39,431**	35,116
	106,083,028	84,863,348	**40,285,398**	29,207,744

3. Other Comprehensive Income

	For the nine months ended September 30			
		2018		**2017**
Financial assets at FVOCI:				
Net unrealized mark to market losses arising during the period	**(9,557)**		(2,915)	
Less: Reclassification adjustments for losses included in profit or loss	**-**	**(9,557)**	-	(2,915)
Share in movement in net unrealized mark-to-market gains on AFS investments of associates		**-**		2,923,979
Share in net unrealized mark-to-market gains on investments in financial assets at FVOCI of associates and joint ventures		**3,367,325**		-
Movement in actuarial losses on defined benefit plans		**(1,679)**		(329)
Exchange differences in translating foreign currency-denominated transactions		**2,197,505**		783,517
Share in movement in actuarial losses on defined benefit plans of associates and joint ventures		**(35,902)**		(25,753)
Share in movement in cumulative translation adjustments of associates and joint ventures		**583,953**		-
		6,101,645		3,678,498
Income tax relating to components of other comprehensive income		**11,274**		7,825
Other comprehensive income for the period		**6,112,919**		3,686,322

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

	For the nine months ended September 30, 2018		
	Before-Tax Amount	Tax Benefit	Net-of-Tax Amount
Financial assets at FVOCI			
Net unrealized mark to market losses arising during the period	**(9,557)**	**-**	**(9,557)**
Share in net unrealized mark-to-market gains on investments in financial assets at FVOCI of associates and joint ventures	**3,367,325**	**-**	**3,367,325**
Movement in actuarial losses on defined benefit plans, net of tax	**(1,679)**	**504**	**(1,176)**
Exchange differences in translating foreign currency-denominated transactions	**2,197,505**	**-**	**2,197,505**
Share in movement in actuarial losses on defined benefit plans of associates and joint ventures, net of tax	**(35,902)**	**10,771**	**(25,132)**
Share in movement in cumulative translation adjustments of associates and joint ventures	**583,953**	**-**	**583,953**
Other comprehensive income for the period	**6,101,645**	**11,274**	**6,112,919**

	For the nine months ended September 30, 2017		
	Before-Tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount
Available-for-sale financial assets:			
Net unrealized mark to market losses arising during the period	(2,915)	-	(2,915)
Share in movement in net unrealized mark-to-market gains on AFS investments of associates	2,923,979	-	2,923,979
Movement in actuarial losses on defined benefit plans, net of tax	(329)	99	(231)
Exchange differences in translating foreign currency-denominated transactions	783,517	-	783,517
Share in movement in actuarial losses on defined benefit plans of associates and joint ventures, net of tax	(25,753)	7,726	(18,027)
Other comprehensive income for the period	3,678,498	7,825	3,686,322

C. Investments and Advances

	September 30, 2018	December 31, 2017
Acquisition cost:		
Balance at beginning of period	**63,458,834**	62,563,115
Additions during the period	**7,283,545**	895,719
Balance at end of period	**70,742,380**	63,458,834
Accumulated equity in net earnings:		
Balance at beginning of period	**32,020,150**	28,599,980
Share in net earnings for the period	**6,505,811**	9,053,733
Share in associates' prior period's adj credited (charged) to Retained Earnings (PFRS 9 in 2018)	**633,410**	-
Step-acquisition of subsidiary	-	528,698
Cash dividends received and receivable	**(3,695,173)**	(6,162,261)
Balance at end of period	**35,464,198**	32,020,150
Gain on dilution	**1,014,136**	1,014,136
Share in net unrealized mark-to-market losses on AFS investment of associates	-	(3,200,873)
Share in net unrealized mark-to-market gains on investments in financial assets at FVOCI of associates	**166,453**	-
Share in cumulative translation adjustments of associates and joint ventures	**439,445**	(144,508)
Share in actuarial losses on retirement benefit plans of associates and joint ventures	**(594,379)**	(569,247)
	107,232,232	92,578,492
Advances to associates	**24,616**	24,616
Investments in associates at equity	**107,256,848**	92,603,108
Less: allowance for impairment loss	**680,731**	680,731
	106,576,117	91,922,377

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

		% Ownership	
	Nature of Business	**September 30, 2018**	December 31, 2017
Manila-Oslo Renewable Enterprise, Inc. (MORE) *	Holding company	**83.33**	83.33
AEV CRH Holdings, Inc. (AEV CRH)	Holding company	**60.00**	60.00
Balibago Water Systems, Inc	Water distribution	**11.14**	11.14
Gold Coin Feed Mills (B) Sdn. Bhd.	Feed Mills	**20.00**	-
Cebu District Property Enterprise, Inc. (CDPEI) *	Real estate	**50.00**	50.00
Union Bank of the Philippines (UBP)	Banking	**49.36**	48.83
Hijos de F. Escaño, Inc. (Hijos)	Holding company	**46.73**	46.73
CRH ABOITIZ Holdings, Inc. (CRH ABOITIZ)	Holding company	**45.00**	45.00
San Fernando Electric Light & Power Co., Inc. (SFELAPCO)	Power distribution	**43.78**	43.78
Pampanga Energy Ventures, Inc. (PEVI)	Holding company	**42.84**	42.84
La Filipina Elektrika, Inc.**	Power generation	**40.00**	40.00
STEAG State Power, Inc. (STEAG)	Power generation	**34.00**	34.00
Cebu Energy Development Corp. (CEDC)	Power generation	**26.40**	26.40
Redondo Peninsula Energy, Inc. (RP Energy)**	Power generation	**25.00**	25.00
Southern Philippines Power Corporation (SPPC)	Power generation	**20.00**	20.00
Western Mindanao Power Corporation (WMPC)	Power generation	**20.00**	20.00
GNPower Dinginin Ltd. Co.	Power generation	**45.00**	50.00

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

D. Trade and Other Payables

	September 30, 2018	December 31, 2017
Trade	**14,239,259**	11,803,900
Others	**20,331,698**	12,732,684
	34,570,957	24,536,584

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

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

E. Bank Loans

	September 30, 2018 Interest Rate	Amount	December 31, 2017 Interest Rate	Amount
Financial institutions - unsecured:				
Peso loans	**3.1% - 5.0%**	**25,462,400**	2.80% - 4.00%	23,112,700
US dollar loans	**2.5% - 3.3%**	**594,220**	2.00%	124,825
Vietnamese Dong loans	**2.4% - 6.3%**	**1,011,632**	2.3% - 7%	463,615
Chinese Yuan loans	**5.0% - 5.4%**	**919,818**		
Indonesia Rupiah loans	**9.3% - 10.2%**	**308,638**		
Other foreign currency-denominated loans	**5.2% - 13.5%**	**191,253**		
		28,487,960		23,701,140

F. Long-term Debts

	September 30, 2018 Interest Rate	Amount	December 31, 2017 Interest Rate	Amount
Company:				
Financial and non-financial institutions - unsecured	**4.41% - 6.02%**	**32,000,000**	4.41% - 6.02%	32,000,000
Subsidiaries:				
Aboitiz Power Corporation (AP)				
Financial and non-financial institutions - unsecured	**5.21% - 6.10%**	**13,000,000**	5.21% - 6.10%	13,000,000
TPI Parent				
Financial institution - unsecured			LIBOR + 1.10%	15,153,755
Therma Visayas, Inc.				
Financial institution - secured	**5.50% to 7.44%**	**29,890,000**	5.55% to 6.91%	29,890,000
GMCP				
Financial institutions - secured	**LIBOR + 1.7% - 4.00%**	**43,318,638**	LIBOR + 1.7% - 4.00%	31,946,661
Therma South, Inc. (TSI)				
Financial institution - secured	**5.00%-5.64%**	**22,004,873**	4.51%-5.15%	22,660,043
AP Renewables, Inc.				
Financial institution - secured	**4.48% to 5.20%**	**9,374,400**	4.53% to 5.20%	10,624,640
Hedcor Bukidnon, Inc.				
Financial institutions - secured	**4.75% to 6.78%**	**9,327,700**	4.75% to 6.78%	9,327,700
Hedcor Sibulan, Inc.				
Financial institutions - secured	**4.05% to 5.42%**	**4,000,200**	4.11% to 5.32%	4,097,000
Visayan Electric Company, Inc.				
Financial institutions- unsecured	**4.49% to 4.81%**	**1,176,000**	4.49% to 4.81%	1,176,000
Luzon Hydro Corporation				
Financial institution - secured	**2% to 2.75%**	**1,077,699**	2% to 2.75%	1,105,950
Davao Light & Power Co., Inc.				
Financial institutions - unsecured	**4.49% to 4.81%**	**882,000**	4.49% to 4.81%	882,000
Hedcor, Inc.				
Financial institution - secured	**5.25%**	**450,000**	5.25%	540,000
Subic Enerzone Corporation				
Financial institutions - unsecured	**5.00%**	**169,500**	5.00%	226,000
Cotabato Light & Power Co., Inc.				
Financial institution - unsecured	**4.49% to 4.81%**	**176,400**	4.49% to 4.81%	176,400
Pilmico Foods Corporation				
Financial institutions - secured	**4.18% to 4.5%**	**2,822,500**	4.5% to 4.75%	2,830,000
Pilmico Animal Nutrition Corporation				
Financial institution - secured	**4.50%**	**2,680,000**	4.5% to 4.75%	2,690,000
AEV International				
Financial institutions	**3.26% to 10.67%**	**20,310,078**	10.50%	18,560
Joint Operation				
Pagbilao Energy Corporation				
Financial institution - secured	**5.50% to 8.31%**	**14,473,051**	4.70% to 6.68%	14,066,500
Total		**207,133,039**		192,411,209
Add embedded derivative				
Less deferred financing costs		**1,615,691**		3,324,162
		205,517,349		189,087,047
Less current portion		**10,272,317**		20,722,330
		195,245,032		168,364,717

G. Debt Securities

As of September 30, 2018 and December 31, 2017, AEV and Aboitiz Power Corporation (AP) registered and issued peso-denominated fixed-rate retail bonds totalling P45 billion under the following terms:

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

H. Earnings Per Common Share

Earnings per common share amounts were computed as follows:

	Jan-Sept 2018	Jan-Sept 2017
a. Net income attributable to equity holders of the parent	**17,318,735**	15,904,858
b. Weighted average number of common shares issued and outstanding	**5,633,793**	5,633,793
Earnings per share (a/b)	**3.074**	2.823

I. Operating Segment Information

Operating segments are components of the Group that engage in business activities from which they may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group's CODM to make decisions about how resources are to be allocated to the segment and assess their performances, and for which discrete financial information is available.

For purposes of management reporting, the Group's operating businesses are organized and managed separately according to services provided, with each segment representing a strategic business segment. The Group's identified operating segments, which are consistent with the segments reported to the BOD, the Group's CODM, are as follows:

- power segment, which is engaged in power generation and sale of electricity;
- food manufacturing segment, which is engaged in the production of flour and feeds and swine breeding;
- financial services segment, which is engaged in banking and money remittance operations;
- real estate segment, which is engaged in real property development for sale and lease;
- infrastructure segment, which is engaged in the production of cement and other building materials and in the supply of treated bulk water; and
- the parent company and others, which include the operations of the Company and the service provider subsidiaries that cater mainly to the Group.

The Group has only one geographical segment as the bulk of its assets are located in the Philippines. The Group operates and derives principally all of its revenue from domestic operations. Thus, geographical business information is not required.

Management monitors the operating results of its segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment revenue and segment expenses are measured in accordance with Philippine Financial Reporting Standards (PFRS). The presentation and classification of segment revenue and segment expenses are consistent with the consolidated statement of income. Interest expense and financing charges, depreciation and amortization expense and income taxes are managed on a per segment basis.

The Group has inter-segment revenues in the form of management fees as well as inter-segment sales of electricity and other services which are eliminated in consolidation. The transfers are accounted for at competitive market prices on an arm's-length basis.

Segment assets do not include deferred income tax assets, pension asset and other noncurrent assets. Segment liabilities do not include deferred income tax liabilities, income tax payable and pension liability. Adjustments as shown below include items not presented as part of segment assets and liabilities.

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Group, and that the revenue can be reliably measured. There is no concentration of significant customers on any of the segments.

Financial information on the operations of the various business segments are summarized as follows:

	January - September 30, 2018							
	Power	Financial Services	Food Manufacturing	Real Estate	Infrastructure	Parent Company and Others	Eliminations	Consolidated
REVENUES								
Third parties	100,064,189	478,830	30,645,290	2,978,619	70,913	1,014,435	-	135,252,276
Inter-segment	40,774	-	-	-	-	187,500	(228,274)	-
Total revenue	100,104,963	478,830.00	30,645,290	2,978,619	70,913	1,201,935	(228,274)	135,252,276
RESULTS								
Segment results	27,755,105	(30,929)	1,078,201	576,094	(34,104)	(175,118)	-	29,169,249
Unallocated corporate income (expenses)	(1,247,528)	14,248	1,453,119	(53,150)	602	882,202	-	1,049,494
INCOME FROM OPERATIONS								30,218,743
Interest Expense	(8,477,013)	(5,599)	(580,716)	(45,152)	-	(1,165,156)	33,331	(10,240,305)
Interest Income	557,289	1,140	168,194	48,172	3,449	360,234	(38,287)	1,100,191
Share in net earnings of associates	3,596,877	2,992,847	1,812	(11,719)	(73,753)	14,774,668	(14,774,921)	6,505,811
Provision for Income tax	(2,578,656)	(4,646)	(431,518)	(68,447)	(3,303)	(148,500)	-	(3,235,070)
NET INCOME								24,349,369
OTHER INFORMATION - as of September 30, 2018								
Segment assets	77,726,938	1,336,272	25,563,655	7,133,097	152,262	13,675,408	-	125,587,633
Investments and advances	34,492,684	45,334,304	56,119	1,464,333	25,385,664	116,114,166	(116,271,153)	106,576,117
Unallocated corporate assets	263,518,319	174,947	28,608,206	10,419,908	1,591,183	5,707,643	103,865	310,124,071
Consolidated total assets								542,287,820
Segment liabilities	241,729,144	517,997	45,901,704	6,916,802	1,254,202	31,432,937	(394,241)	327,358,545
Unallocated corporate liabilities	1,985,244	521,818	364,114	617,022	2,611	(400,776)	-	3,090,033
Consolidated total liabilities								330,448,578
	January - September 30, 2018							
Capital expenditures								(9,653,157)
Depreciation and amortization	6,339,775	27,485	617,883	47,291	5,093	109,266	-	7,146,793

	January - September 30, 2017							
	Power	Financial Services	Food Manufacturing	Real Estate	Infrastructure	Parent Company and Others	Eliminations	Consolidated
REVENUES								
Third parties	88,408,148	557,583	19,091,568	2,384,090	13,187.26	1,020,562	-	111,475,138
Inter-segment	0	-	-	-	-	187,500	(187,500)	-
Total revenue	88,408,148	557,583	19,091,568	2,384,090	13,187.26	1,208,062	(187,500)	111,475,138
RESULTS								
Segment results	25,057,329	51,541	1,134,069	425,680	(63,106)	6,277	-	26,611,790
Unallocated corporate income	(278,911)	7,506	617,302	17,663	131	309,123	-	672,813
INCOME FROM OPERATIONS								27,284,604
Interest Expense	(8,899,201)	(4,604)	(244,379)	(23,955)	-	(1,175,479)	54,416	(10,293,202)
Interest Income	698,020	1,146	49,107	(64)	3,035	273,368	(60,105)	964,507
Share in net earnings of associates	3,781,762	3,116,579	-	(10,081)	(58,541)	13,733,843	(13,735,624)	6,827,938
Provision for Income tax	(3,112,381)	(15,425)	(384,380)	(32,092)	(856)	(123,901)	-	(3,669,035)
NET INCOME								21,114,811
OTHER INFORMATION - as of December 31, 2017								
Segment assets	67,961,596	1,201,961	19,534,202	7,045,980	239,620	18,482,290	(278,155)	114,187,494
Investments and advances	31,248,595	33,970,808	-	1,476,052	25,463,872	108,095,256	(108,332,206)	91,922,377
Unallocated corporate assets	262,266,809	184,640	8,205,912	9,636,511	260,661	5,476,212	103,866	286,134,610
Consolidated total assets								492,244,481
Segment liabilities	235,578,591	363,199	22,592,698	6,395,724	29,590	32,645,630	(672,374)	296,933,059
Unallocated corporate liabilities	1,919,944	371,414	61,084	620,745	3,066	(248,543)	-	2,727,710
Consolidated total liabilities								299,660,769
	January - September 30, 2017							
Capital expenditures								(14,302,711)
Depreciation and amortization	5,680,409	25,748	481,548	56,082	1,654	107,842	-	6,353,283

J. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash and cash equivalents, AFS investments, bank loans, long-term debt, obligations under finance lease and non-convertible, cumulative, redeemable preferred shares. The main purpose of these financial instruments is to raise finances for the Group's operations and its investments in existing subsidiaries and associates and in new projects. The Group has other financial assets and liabilities such as trade and other receivables, trade and other payables and customer deposits which arise directly from operations.

The Group also enters into derivative transactions, particularly foreign currency forwards, to economically hedge its foreign currency risk from foreign currency denominated liabilities and purchases.

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 debt; credit risk involving possible exposure to counter-party default on its cash and cash equivalents, AFS investments and trade and other receivables; liquidity risk in terms of the proper matching of the type of financing required for specific investments; and foreign exchange risk in terms of foreign exchange fluctuations that may significantly affect its foreign currency denominated placements and borrowings.

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 September 30, 2018, 17.99% of the Group's long-term debt had floating interest rates ranging from 2.00% to 10.67%, and 82.01% are with fixed rates ranging from 4.00% to 8.31%. As of December 31, 2017, 16.50% of the Group's long-term debt had floating interest rates ranging from 2.00% to 10.5%, and 83.50% are with fixed rates ranging from 4.0% to 6.91%.

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

As of September 30, 2018

	Less than 1 year	**1-5 years**	**More than 5 years**	**Total**
Long-term debts				
Floating rate	**3,264,916**	**30,415,709**	**3,286,792**	**36,967,416**
	3,264,916	**30,415,709**	**3,286,792**	**36,967,416**

As of December 31, 2017

	Less than 1 year	1-5 years	More than 5 years	Total
Long-term debts				
Floating rate	15,376,379	4,836,681	10,993,807	31,206,867
	15,376,379	4,836,681	10,993,807	31,206,867

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. The other financial instruments of the Group that are not included in the above tables are either fixed-rate or non-interest bearing, and are therefore not subject to interest rate risk. Its derivative assets and liabilities are subject to fair value interest rate risk.

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

	January-September 2018	January-September 2017
Finance lease obligation	**3,466,630**	3,389,119
Long term debt	**6,234,077**	6,724,795
Bank loans	**505,673**	144,659
Customers' deposits	**1,222**	2,689
Long-term obligation on PDS and others	**32,703**	31,940
	10,240,305	10,293,202

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) for the periods ended September 30, 2018 and 2017:

	Increase (decrease) in basis points	Effect on income before tax
September 30, 2018	**200**	**(552,992)**
	(100)	**276,496**
September 30, 2017	200	(716,670)
	(100)	358,335

The Group's sensitivity to an increase/decrease in interest rates pertaining to derivative instruments is expected to be insignificant during the first nine months of 2018 and 2017 due to their short-term maturities and immateriality relative to the total assets and liabilities of the Group.

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

Foreign exchange risk

The foreign exchange risk of the Group pertains significantly to its foreign currency denominated borrowings, including obligations under finance lease. To mitigate the risk of incurring foreign exchange losses, foreign currency holdings are matched against the potential need for foreign currency in financing equity investments and new projects. As of September 30, 2018 and December 31, 2017, foreign currency denominated borrowings account for 33.25% and 27.84%, respectively, of total consolidated borrowings.

		September 30, 2018			December 31, 2017	
		US Dollar	**Philippine Peso equivalent[1]**		US Dollar	Philippine Peso equivalent[2]
Loans and receivables:						
Cash and cash equivalents	**$**	**346,740**	**18,730,901**	$	572,576	28,588,732
Trade and other receivables		**99,649**	**5,383,033**		49,715	2,482,289
Amounts owed by related parties		**592**	**31,980**		-	-
Investment in Financial assets at FVTPL and Debt investments at amortized cost		**11,243**	**607,322**		-	-
AFS and HTM investments		**-**	**-**		5,863	292,740
Derivative assets		**13,732**	**741,826**		-	-
Total financial assets		**471,956**	**25,495,062**		628,155	31,363,760
Other financial liabilities:						
Bank loans		**83,008**	**4,484,100**		11,785	588,440
Trade and other payables		**149,945**	**8,100,010**		62,033	3,097,290
Long-term debt		**375,973**	**20,310,078**		303,872	15,172,315
Finance lease obligation		**489,850**	**26,461,697**		519,370	25,932,144
Total financial liabilities		**1,098,776**	**59,355,886**		897,060	44,790,189
Total net financial liabilities	**$**	**(626,820)**	**(33,860,824)**	$	(268,905)	(13,426,429)

[1]USD1 = P54.02
[2]USD1 = P49.93

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rates, with all other variables held constant, of the Group's profit before tax as of September 30, 2018 and December 31, 2017.

	Increase/ (decrease) in US Dollar	Effect on income before tax
September 30, 2018		
US Dollar denominated accounts	**US Dollar strengthens by 5%**	**(1,693,041)**
US Dollar denominated accounts	**US Dollar weakens by 5%**	**1,693,041**
December 31, 2017		
US Dollar denominated accounts	US Dollar strengthens by 5%	(671,321)
US Dollar denominated accounts	US Dollar weakens by 5%	671,321

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

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

Equity price risk

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

As of September 30, 2018 and December 31, 2017, the Group's exposure to equity price risk is minimal.

Credit risk
For its cash investments, AFS investments and receivables, the Group's credit risk pertains to possible default by the counterparty, with a maximum exposure equal to the carrying amount of these assets. With respect to cash and AFS investments, the risk is mitigated by the short-term and or liquid nature of its cash investments mainly in bank deposits and placements, which are placed with financial institutions of high credit standing. With respect to receivables, credit risk is controlled by the application of credit approval, limit and monitoring procedures. It is the Group's policy to enter into transactions with a diversity of credit-worthy parties to mitigate any significant concentration of credit risk. The Group ensures that sales are made to customers with appropriate credit history and has internal mechanism to monitor the granting of credit and management of credit exposures.

Liquidity risk
Liquidity risk is the risk that an entity in the Group will be unable to meet its obligations as they become due. The Group manages liquidity risk by effectively managing its working capital, capital expenditure and cash flows, making use of a centralized treasury function to manage pooled business unit cash investments and borrowing requirements.

Currently, the Group is maintaining a positive cash position, conserving the 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 September 30, 2018 and December 31, 2017, the portion of the total long-term debt, inclusive of customers' deposits, that will mature in less than one year is 5.51% and 9.83%, respectively. For its short-term funding, the policy of the Group is to ensure that there are sufficient working capital inflows to match repayments of short-term debt.

Cash and cash equivalents and trade and other receivables, which are all short-term in nature, have balances of P47.8 billion and P35.9 billion as of September 30, 2018 and P64.9 billion and P24.2 billion as of December 31, 2017, respectively. These financial assets will be used to fund short-term and operational liquidity needs of the Group.

The table below 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:

September 30, 2018

		Contractual undiscounted payments				
	Total Carrying Value	**Total**	**On demand**	**> 1 year**	**1 to 5 years**	**> 5 years**
Trade and other payables*	**31,017,703**	**31,017,703**	**1,932,009**	**28,891,514**	**194,180**	**-**
Customers' deposits	**6,367,223**	**6,367,223**	**-**	**24,546**	**100,133**	**6,242,544**
Bank loans	**28,487,960**	**28,487,960**	**-**	**28,487,960**	**-**	**-**
Long-term debt	**205,517,348**	**295,587,836**	**-**	**51,568,827**	**137,032,362**	**106,986,647**
Finance lease obligation	**48,564,489**	**71,495,370**	**-**	**4,560,300**	**51,227,370**	**15,707,700**
Long-term obligation on power distribution system	**246,640**	**400,000**	**-**	**40,000**	**200,000**	**160,000**
Derivative liability	**3,651**	**3,651**	**-**	**171**	**3,480**	**-**
Total	**320,205,014**	**433,359,743**	**1,932,009**	**113,573,319**	**188,757,525**	**129,096,891**

*Excludes statutory liabilities

December 31, 2017

		Contractual undiscounted payments				
	Total Carrying Value	Total	On demand	> 1 year	1 to 5 years	> 5 years
Trade and other payables*	21,636,503	21,636,503	1,573,803	19,465,764	596,936	-
Customers' deposits	6,269,383	6,269,383	-	600	89,703	6,179,080
Bank loans	23,701,140	23,711,309	-	23,711,309	-	-
Long-term debt	189,087,047	240,997,376	-	26,867,224	117,503,925	96,626,227
Finance lease obligation	49,225,254	73,496,465	-	8,813,700	38,927,175	25,755,590
Long-term obligation on power distribution system	226,071	440,000	-	40,000	200,000	200,000
Derivative liability	47,577	47,577	-	47,577	-	-
Total	290,192,975	366,598,613	1,573,803	78,946,174	157,317,739	128,760,897

*Excludes statutory liabilities

Capital management

Capital includes equity attributable to the equity holders of the parent. The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements.

No changes were made in the objectives, policies or processes during the periods ended September 30, 2018 and December 31, 2017.

Certain entities within the Group that are registered with the Board of Investments are required to raise minimum amount of capital in order to avail of their registration incentives. As of September 30, 2018 and December 31, 2017, these entities have complied with this requirement as applicable.

The Group monitors capital using a gearing ratio, which is net debt divided by equity plus net debt. The Group's policy is to keep the gearing ratio at 70% or below at the consolidated level. The Group determines net debt as the sum of interest-bearing short-term and long-term obligations (comprised of long-term debt, obligations under finance lease, redeemable preferred shares and payable to preferred shareholders of a subsidiary) less cash and short-term deposits and temporary advances to related parties.

Gearing ratios of the Group as of September 30, 2018 and December 31, 2017 are as follows:

	September 30, 2018	December 31, 2017
Bank Loans	**28,487,960**	23,701,140
Long-term obligations	**254,081,837**	238,312,301
Cash and cash equivalents	**(53,511,491)**	(67,512,541)
Net Debt (a)	**229,058,306**	194,500,900
Equity	**211,839,242**	192,583,712
Equity and Net Debt (b)	**440,897,548**	387,084,611
Gearing Ratio (a/b)	**51.95%**	50.25%

K. Financial Instruments

Fair Value of Financial Instruments

Fair value is defined as the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.

A financial instrument is regarded as quoted in an active market if quoted prices are readily available from an exchange, dealer, broker, pricing services or regulatory agency and those prices represent actual and regularly occurring maket transactions on an arm's length basis. For a financial instrument with an active market, the quoted market price is used as its fair value. On the other hand, if transactions are no longer regularly occurring even if prices might be available, and the only observed transactions are forced transactions or distressed sales, then the market is considered inactive. For a financial instrument with an inactive market, its fair value is determined using a valuation technique (e.g., discounted cash flow approach) that incorporates all factors that market participants would consider in setting a price.

Set out below is a comparison by category of carrying amounts and fair values of the Group's financial instruments whose fair values are different from their carrying amounts.

	September 30, 2018		December 31, 2017	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial liabilities				
Finance lease obligation	**48,564,489**	**43,154,599**	49,225,254	43,462,850
Long-term debt - fixed rate	**168,549,932**	**164,205,511**	157,880,180	151,225,731
Long-term obligation on PDS	**246,640**	**326,655**	226,071	326,655
Total	**217,361,061**	**207,686,765**	207,331,505	195,015,236

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents, trade and other receivables and trade and other payables
The carrying amounts of cash and cash equivalents, trade and other receivables and trade and other payables approximate fair value due to the relatively short-term maturity of these financial instruments.

Obligations under finance lease. The fair value of the finance lease obligation was calculated by discounting future cash flows using applicable interest rates. The disclosed fair value is determined using Level 3 inputs.

Fixed-rate borrowings. The fair value of fixed-rate interest-bearing loans is based on the discounted value of future cash flows using the applicable rates for similar types of loans. The disclosed fair value is determined using Level 3 inputs.

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

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

Customers' deposits. The fair value of bill deposits approximates the carrying values as these deposits earn interest at the prevailing market interest rate in accordance with regulatory guidelines. The timing and related amounts of future cash flows relating to transformer and lines and poles deposits cannot be reasonably and reliably estimated for purposes of establishing their fair values using an alternative valuation technique.

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

Investments in financial assets at FVTPL. The fair values of investments in financial assets at FVTPL are based on market prices.

Derivative financial instruments

The fair value is calculated by reference to prevailing interest rate differential and spot exchange rate as of valuation date, taking into account its remaining term to maturity. The disclosed fair value is determined using Level 2 inputs.

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

The Group also enters into an interest rate swap agreement to fully hedge its floating rate exposure on its foreign currency-denominated loan and par forward contracts to hedge the floating rate exposure on foreign-currency denominated payments.

As of September 30, 2018 and December 31, 2017, the Group recognized net derivative assets relating to these contracts amounting to P1.5 billion and P294 million, respectively.

The movements in fair value changes of all derivative instruments for the year ended September 30, 2018 and December 31, 2017 are as follows:

	September 30, 2018	December 31, 2017
At beginning of period	**294,364**	(69,016)
Net changes in fair value of derivatives designated as accounting hedges	**1,373,460**	105,483
Net changes in fair value of derivatives not designated as accounting hedges	**(193,991)**	5,339
Derecognition recognized in cumulative translation adjustments	-	240,960
Fair value of settled instruments	**73,544**	11,598
At end of period	**1,547,377**	294,364

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

Fair Value Hierarchy

The Group uses the following hierarchy for determining the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

As of September 30, 2018 and December 31, 2017, the Group held the following financial instruments that are measured and carried or disclosed at fair value:

September 30, 2018

	Total	**Level 1**	**Level 2**	**Level 3**
Carried at fair value:				
Investments in financial assets at FVTPL	**632,845**	**632,845**	**-**	**-**
Derivative asset	**1,551,028**	**-**	**1,551,028**	**-**
Derivative liability	**3,651**	**-**	**3,651**	**-**
Disclosed at fair value:				
Obligations under finance lease	**43,154,599**	**-**	**-**	**43,154,599**
Long-term debt - fixed rate	**164,205,511**	**-**	**-**	**164,205,511**
Long-term obligation on PDS	**326,655**	**-**	**-**	**326,655**

December 31, 2017

	Total	Level 1	Level 2	Level 3
Carried at fair value:				
AFS investments	760,724	760,724	-	-
Derivative asset	341,941	-	341,941	-
Derivative liability	47,577	-	47,577	-
Disclosed at fair value:				
Obligations under finance lease	43,462,850	-	-	43,462,850
Long-term debt - fixed rate	151,225,731	-	-	151,225,731
Long-term obligation on PDS	326,655	-	-	326,655

During the periods ended September 30, 2018 and December 31, 2017, there were no transfers between level 1 and level 2 fair value measurements and transfers into and out of level 3 fair value measurement.

L. Disclosures

1. Company Information

Aboitiz Equity Ventures, Inc. (the Company) was originally incorporated in the Philippines as Cebu Pan Asian Holdings, Inc. and registered with the Securities and Exchange Commission on September 11, 1989. The Company changed its corporate name to the present one on December 29, 1993 and its ownership was opened to the general public through an initial public offering of its shares on November 16, 1994.

The Company and its subsidiaries (collectively referred to as the "Group") are engaged in various business activities mainly in the Philippines, including power generation and distribution, food manufacturing, banking and financial services, real estate development and infrastructure. The Company is the publicly-listed holding and management company of the Group. The parent and the ultimate parent of the Company is Aboitiz & Company, Inc. (ACO).

The registered office address of the Company is 32nd Street, Bonifacio Global City, Taguig City, Metro Manila, Philippines.

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

Basis of Financial Statement Preparation

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

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

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

On October 23, 2018, the Audit Committee of the Board of Directors of the Company approved and authorized the release of th accompanying unaudited condensed consolidated financial statements of the Group.

Changes in Accounting Policies

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

- PFRS 9, Financial Instruments

  PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, Financial Instruments: Recognition and Measurement, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Retrospective application is required, but comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

  The Group is adopting the new standard without restating comparative information.

  As of January 1, 2018, the Group has reviewed and assessed all of its existing financial instruments. The accounting policies adopted by the Group in its evaluation of the classification and measurement categories under PFRS 9 are discussed below.

  (a) Classification and measurement

  PFRS 9 requires that the Group classifies debt instruments based on the contractual cash flow characteristics of the assets and the business model for managing those assets. These factors determine whether the financial assets are measured at amortized cost, fair value through other comprehensive income (FVOCI), or fair value through profit or loss (FVTPL).

  The Group's debt financial assets consist of cash in banks, cash equivalents, trade and other receivables and investment in debt securities. The Group assessed that the contractual cash flows of its debt financial assets are solely payments of principal and interest (SPPI) and are expected to be held to collect all contractual cash flows until their maturity. As a result, the Group concluded these debt financial assets to be measured at amortized cost.

  For other financial assets, investments in quoted equity securities and in unquoted equity shares previously carried at cost under PAS 39 and classified as AFS investments are measured at FVTPL under PFRS 9.

  There were no changes to the classification and measurement of financial liabilities, other than the changes in fair value of financial liabilities designated at fair value through profit or loss that are attributable to changes in the instruments' credit risk, which are now presented in other comprehensive income. As of September 30, 2018 and December 31, 2017, the Group does not hold financial liabilities designated at fair value through profit or loss.

- Impairment

The adoption of PFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing PAS 39's incurred loss approach with a forward-looking Estimated Credit Loss (ECL) approach. PFRS 9 requires the Group to record ECL for trade and other receivables and for other debt financial assets not classified as at FVTPL, together with contract assets, loan commitments and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For trade receivables and contract assets, the Group has applied the simplified approach and recorded lifetime ECL. The Group has established the following models:

Power and Food Manufacturing Segments

• For trade receivables from power and food manufacturing segments, the Group uses the provision matrix. The Group calculates provision rates based on days past due for groupings of various customer segments that have similar loss patterns (i.e., customer type).

The provision matrix is initially based on the Group's average net flow and loss rates. The Group will calibrate the matrix to adjust the average historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., inflation rates) are expected to increase over the next year which can lead to an increased number of defaults and/or increase in the magnitude of credit losses, the historical loss rates are adjusted. At every reporting date, the historical observed loss rates are updated and changes in the forward-looking estimates are analyzed.

Real Estate Segment

• For trade receivables and contract assets from the residential business segment with more than one year term to maturity, the Group's ECL calculation is composed of three major components - probability of default (PD), loss given default (LGD), and exposure at default (EAD).

Probability of Default

The Group calculates PD by performing a vintage analysis which derives the PD rates by counting the first instance a certain contract defaults throughout the entire life of the instrument and counting all contracts defaulting in a given vintage period. The estimated lifetime PD rate for each contractual term (PD over the remaining life of the instrument) is derived by comparing the count of contracts defaulting over the total contracts entered. The calculated historical PD rates are further disaggregated based on different time to maturities and calibrated to incorporate forward-looking information. For instance, if forecast economic conditions (i.e., unemployment rates) are expected to increase over the next year which can lead to an increased number of defaults and/or increase in the magnitude of credit losses, the historical PD rates are adjusted. At every reporting date, the historical observed loss rates are updated and changes in the forward-looking estimates are analyzed.

Loss Given Default

Loss given default measures the expected loss, net of any recoveries. LGD rates are calculated based on clients which have been identified to have defaulted. LGD calculation involves analysis of cash inflows and outflows subsequent to the default event. The Group considers cash inflows such as future collections either through cash or through the resale of properties upon foreclosure. The Group considers cash outflows such as Maceda law payments, and other cash outflows which the Group considers significant in estimating the recoveries from the defaulted receivables. These cash flows are then discounted back to the default date using an approximated effective interest rate.

After calculating the historical LGD rates, the Group will calibrate the rates to adjust the historical credit loss experience with forward-looking information. For instance, if the forecasted economic conditions (i.e. real estate price index) are expected to result to an increased percentage of recoveries, the historical LGD rates are adjusted. At every reporting date, the historical observed LGD rates are updated and changes in the forward-looking estimates are analyzed.

Exposure at Default

Exposure at default is the current balance of the instrument subject to ECL. This EAD is broken down into different tenors based on their original term to maturity and their remaining term before maturity, representing the present value of future cash flows. Determination of EAD should be done in an unbiased and consistent measurement given that unexpected fall or increase in its amount can lead to a higher or lower ECL, respectively.

• For trade receivables from commercial and industrial segments which have less than one year term to maturity, the Group also uses the provision matrix similar to power and food manufaturing segments.

Macroeconomic forecasts and forward-looking information

Macroeconomic forecasts having material impact in the computation of ECL, is determined by evaluating a range of possible outcomes and using reasonable and supportable information that is available without undue cost and effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Group takes into consideration using different macroeconomic variables to capture relationships between default and/or loss rates and economic factors. A linear regression analysis was used to objectively determine which variables to use and establish the basis for forecasting future loss rates.

The assessment of the correlation between historical observed PD, LGD and loss rates, forecast economic conditions and ECLs is a significant estimate which involves qualitative and quantitative thresholds in place. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions.

For other debt financial assets measured at amortized cost, the general approach will be applied, measuring either a 12-month or lifetime expected losses, depending on the extent of the deterioration of their credit quality from origination. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The ECL calculation using general approach is also composed of PD, LGD and EAD. The Group, in estimating ECL for other debt financial assets, used external market data to approximate the PD and LGD of each counterparties. The 12-month ECL is computed for Stage 1 accounts, while the lifetime ECL is calculated for Stage 2 and Stage 3 accounts. Accounts with objective evidence of impairment are classified under Stage 3 and shall follow the Group's impairment methodology. On the other hand, Stage 1 and Stage 2 accounts shall use future values derived from the term structures of the PD and LGD. These future values also take into consideration prospective business environment conditions through the inclusion of macroeconomic forecasts.

Altogether, the resulting value is called the baseline ECL. To compute for the probability-weighted ECL, calibration factors and scenario weights are embedded into the baseline model. Finally, risk management policies complement the application of probability-weighted ECL models. Together, ECL models and their corresponding policies, shall enhance the assessment and monitoring of accounts.

The Group considers a financial asset in default when contractual payment are more than 90 to 120 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

The Group has determined that financial assets that are more than 90 to 120 days past due are considered in default because based on historical experience, counterparties are typically unable to settle their financial obligations to the Group by this period despite expending reasonable efforts to enforce collection. For trade receivables in the Power segment, it is also normally within the more than 90 to 120 days past due range that permanent disconnection is imposed on customers.

- Hedge accounting

The Group has determined that all existing hedge relationships that are currently designated in effective hedging relationships under PAS 39 will continue to qualify for hedge accounting under PFRS 9. On transition, the Group has not retrospectively applied PFRS 9 to the hedges where the Group excluded the forward points from the hedge designation under PAS 39.

As PFRS 9 does not change the general principles of how an entity accounts for effective hedges, applying the hedging requirements of PFRS 9 does not have a significant impact on the Group's consolidated financial statements.

The Group has determined the impact of PFRS 9 adoption on its equity take up of its share in net earnings and movements in other comprehensive income in an associate.

The Group has applied its existing governance framework to ensure that appropriate controls and validations are in place over key processes and judgments in implementing PFRS 9. The Group continues to refine its internal controls and processes which are relevant in the proper implementation of PFRS 9.

The effects of adoption on the unaudited interim condensed consolidated financial statements are as follows:

	As at Jan 1, 2018
Increase (decrease) in consolidated balance sheet:	
Trade and other receivables	(126,785)
Available-for-sale (AFS) investments	(242,906)
Financial assets at FVTPL	242,906
Held-to-maturity (HTM) investments	(189,216)
Debt investments at amortized cost	189,216
Investments in Associates	4,618,658
Deferred income tax assets	22,508
Total Assets	**4,514,381**
Deferred income tax liabilities	(3,468)
Net unrealized MTM gains (losses) on AFS investments	3,306,610
Net unrealized MTM gains (losses) on investments at FVOCI	660,562
Retained earnings	567,641
Non-controlling interests	(16,964)
Total Liabilities and Equity	**4,514,381**

- PFRS 15, Revenue from Contracts with Customers

PFRS 15 supersedes PAS 11 Construction Contracts, PAS 18 Revenue, and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. The new standard establishes a five-step model to account for revenue arising from contracts with customers. The five-step model is as follows:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

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 standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with the customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted PFRS 15 using the modified retrospective method, effective January 1, 2018. The Group elected to apply the method to only those that were not completed at the date of initial recognition.

Power Segment

• Identification of performance obligations

Sale of power and electricity
Contract with customers for the Group generally includes power distribution and retail supply, power generation and ancillary services.

For power generation and ancillary services where capacity and energy dispatched are separately identified, these two obligations are expected to be combined as one performance obligation since these are not distinct within the context of the contract as the buyer cannot benefit from the contracted capacity alone without the corresponding energy and the buyer cannot obtain energy without contracting a capacity. The combined performance obligation is expected to qualify as a series of distinct goods or services that are substantially the same and have the same pattern of transfer.

Under the current standards, revenue from power generation is recognized in the period actual capacity is generated. Under PFRS 15, the Group has concluded that revenue should be recognized over time since the customer simultaneously receives and consumes the benefits as the seller supplies power. In this case, the fixed capacity payments for the entire contract period is determined at contract inception and is recognized over time. Specifically, on contracts where capacity payments are fixed but escalates throughout the contract period without any reference to market indices, the fixed escalation is recognized on a straight-line basis over the contract period.

Power distribution and retail supply also qualify as a series of distinct goods or services that are substantially the same and have the same pattern of transfer accounted for as one performance obligation. The Group has concluded that revenue should be recognized over time and will continue to recognize revenue based on amounts billed.

Some contracts with customers provide unspecified quantity of energy, provisional ERC rates, and volume and prompt payment discounts. Under PFRS 15, such provisions give rise to variable consideration. The variable consideration is estimated at contract inception and constrained until the associated uncertainty is subsequently resolved. The application of constraint on variable consideration resulted in the same revenue recognition under PAS 18.

The adoption of PFRS 15 has no impact on the operating performance and financial condition of the Power group.

The adoption of PFRS 15 has no impact on the operating performance and financial condition of the Power group.

Real Estate Segment

• Identification of performance obligations

Real estate sales
Contract with customers for the Group's real estate segment generally includes sale of developed lot, sale of house and lot, sale of unfurnished and fully-furnished condominium units.

For sale of developed lots, lot and land development are separately identifiable promises but are expected to be combined as one performance obligation since these are not distinct within the context of the contract as the land development is used as an input to deliver a combined output (i.e., developed lot). The Group has concluded that revenue recognition occurs at a point in time when control of the asset is transferred to the customer, generally on delivery of the lot.

For sale of house and lot, house and lot are separately identifiable promises but are expected to be combined as one performance obligation since these are not distinct within the context of the contract. The obligation to deliver the house duly constructed in a specific lot is fully integrated in the lot in accordance with the approved plan. If sale occurs upon completion, the Group has concluded that revenue should be recognized at a point in time when control of the asset is transferred to the customer, generally on delivery of the house and lot. If sale occurs prior to completion, the Group has concluded that revenue should be recognized over time since the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

• Significant financing component in relation to advance payments received from customers
Contracts with customers provide two alternative options: spot cash payment and installment payments after the contracts are signed. For both payment options, the Group concluded that there is a significant financing component because the timing between when the customer pays for the property and when the Group transfers the property to the customer do not match and the period between transfers is more than a year. The transaction price for such contracts is determined by discounting the amount of promised consideration using the appropriate discount rate.

Availment of the Deferral of the Accounting for Significant Financing Component
The above adjustments do not include the impact of accounting for the significant financing component in recognizing the Group's revenue from real estate sales upon the date of initial application on January 1, 2018.

On October 29, 2018, the SEC issued SEC Memorandum Circular Series No. 14, Series of 2018, Philippine Interpretation Committee Question and Answer (PIC Q&A) No. 2018-12 Implementation Issues Affecting Real Estate Industry. Under the said Circular, the Commission en banc, in its meeting held on October 25, 2018, decided to provide relief to the real estate industry by deferring the application of the provisions of the PIC Q&A No. 2018-12 with respect to the accounting of significant financing component, uninstalled materials and the exclusion of land in the determination of the POC for a period of 3 years from January 1, 2018.

Pursuant to the Circular, the Group's real estate segment opted to avail the relief for the deferral of the accounting for the significant financing component in recognizing revenue from its real estate sales. If the Group had adopted the application guideline of the PIC Q&A No. 2018-12 on the significant financing component effective January 1, 2018, the Group's retained earnings, trade and other receivables and contract asset in the consolidated balance sheet as at January 1, 2018 would have decreased, while the Group's contract asset and interest income in the consolidated balance sheet and consolidated statement of income as at and for the quarter ended September 30, 2018 would have increased.

• Incremental costs to obtain contracts
The Group’s real estate segment incurs incremental sales commissions to obtain contracts with customers. Under legacy standards, the Group recognized the sales commission as expense when incurred. Under PFRS 15, these are capitalized as contract asset if the costs are expected to be recoverable.

The Group shall amortize these costs on a systematic basis that is consistent with the Group’s transfer of the related goods/services to the customer (i.e., percentage-of-completion). The Group shall also apply the practical expedient wherein contract costs shall be immediately expensed when the asset that would have resulted from capitalizing such costs would have been amortized within one year or less.

The adoption of PFRS 15 has an impact to the operating performance and financial condition of the Real Estate group.

Food Manufacturing Segment

• Identification of performance obligations

Sale of goods
For contract with customers in which the sale of goods is generally expected to be the only performance obligation, adoption of PFRS 15 is not expected to have a significant impact on the Group’s revenue and profit or loss. The Group has concluded that revenue should be recognized at a point in time when control of the asset is transferred to the customer, generally on delivery of goods.

• Variable considerations
Some contracts with customers include volume discounts. Currently, the Group recognizes revenue measured at the fair value of the consideration received or receivable taking into account the amount of any discounts and allowances granted by the Group. For the volume discounts, the Group recognizes these once the quantity of products purchased during the period exceeds a threshold specified in the contract.

These are being determined and recorded on a monthly basis. Under PFRS 15, such provisions give rise to variable consideration, and will be required to be estimated at contract inception and updated thereafter.

However, PFRS 15 also requires the estimated variable consideration to be constrained to prevent a significant reversal in the amount of cumulative revenue recognized. The Group has determined that the application of the constraint will result in the same accounting revenue as recognized in PAS 18.

The adoption of PFRS 15 has no impact on the operating performance and financial condition of the Food Manufacturing group.

Group
In addition, as the presentation and disclosure requirements in PFRS 15 are more detailed than under current PFRSs, the Group continues to refine its current systems, internal controls, policies and procedures to be able to collect and disclose the required information.

The recognition and measurement requirements in PFRS 15 also apply to gains or losses on disposal of nonfinancial assets (such as items of property and equipment and intangible assets), when that disposal is not in the ordinary course of business. However, on transition, the effect of these changes is determined to be immaterial for the Group.

The effects of adoption on the unaudited interim condensed consolidated financial statements are as follows:

	As at Jan 1, 2018
Increase (decrease) in consolidated balance sheet:	
Trade and other receivables	(130,048)
Inventory	188,010

Total Assets	**57,962**
Trade and other payables	109,855
Retained earnings	(51,893)
Total Liabilities and Equity	**57,962**

• 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 are not applicable to the Group since it has no share-based payment arrangements.

• Amendments to PFRS 4, Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4
The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

The Group's activities are not predominantly connected with insurance. These amendments do not have any significant impact on the Group's consolidated financial statements.

• 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.

These amendments are not applicable to the Group since none of the entities within the Group is a venture capital organization or an investment entity, nor does the Group have investment entity associates or joint ventures.

• Amendments to PAS 40, Investment Property, Transfers of Investment Property

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

Since the Group's current practice is in line with the clarifications issued, these amendments do not have any impact on its consolidated financial statements.

• Philippine Interpretation IFRIC-22, Foreign Currency Transactions and Advance Consideration

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

Since the Group's current practice is in line with the clarifications issued, this interpretation does not have any effect on its consolidated financial statements.

3. Basis of Consolidation

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

	Nature of Business	September 30, 2018		December 31, 2017	
		Direct	**Indirect**	Direct	Indirect
Aboitiz Power Corporation (AP) and Subsidiaries	Power	**76.88%**	**–**	76.88%	–
Aboitiz Energy Solutions, Inc. (AESI)	Power	**–**	**100%**	–	100%
Balamban Enerzone Corporation (BEZ)	Power	**–**	**100**	–	100
Lima Enerzone Corporation (LEZ)	Power	**–**	**100**	–	100
Mactan Enerzone Corporation (MEZ)	Power	**–**	**100**	–	100
East Asia Utilities Corporation (EAUC)	Power	–	**100**	–	100
Subic Enerzone Corporation (SEZ)	Power	**–**	**100**	–	100
Cotabato Light & Power Co., Inc. (CLP)	Power	**–**	**99.94**	–	99.94
Cotabato Ice Plant, Inc.	Manufacturing	**–**	**100**	–	100
Davao Light & Power Co., Inc. (DLP)	Power	**–**	**99.93**	–	99.93
Visayan Electric Company (VECO)	Power	**–**	**55.26**	–	55.26
Aboitiz Renewables Inc. (ARI) and Subsidiaries	Power	**–**	**100**	–	100
AP Renewables, Inc. (APRI)	Power	**–**	**100**	–	100
Hedcor, Inc. (HI)	Power	**–**	**100**	–	100
Hedcor Mt. Province, Inc. *	Power	**–**	**100**	–	100
Hedcor Benguet, Inc. (BHI) *	Power	**–**	**100**	–	100
Hedcor Bukidnon, Inc. *	Power	**–**	**100**	–	100
Hedcor Kabayan, Inc. *	Power	**–**	**100**	–	100
Hedcor Ifugao, Inc. *	Power	**–**	**100**	–	100
Hedcor Kalinga, Inc. *	Power	**–**	**100**	–	100
Hedcor Itogon, Inc. *	Power	**–**	**100**	–	100
Hedcor Manolo Fortich, Inc. *	Power	**–**	**100**	–	100
Hedcor Sabangan, Inc. *	Power	**–**	**100**	–	100
Hedcor Sibulan, Inc. (HSI)	Power	**–**	**100**	–	100
Hedcor Tamugan, Inc. (HTI) *	Power	**–**	**100**	–	100
Hedcor Tudaya, Inc. (Hedcor Tudaya)	Power	**–**	**100**	–	100
Aboitiz Power Distributed Renewables, Inc. (formerly Kookaburra Equity Ventures, Inc.) *	Power	**–**	**100**	–	100
Aboitiz Power Distributed Energy Inc. *	Power	**–**	**100**	–	100
Mt. Apo Geopower, Inc. *	Power	**–**	**100**	–	100
Cleanergy, Inc. (CI) *	Power	**–**	**100**	–	100
Hydro Electric Development Corporation	Power	**–**	**99.97**	–	99.97
Luzon Hydro Corporation (LHC)	Power	**–**	**100**	–	100
Bakun Power Line Corporation *	Power	**–**	**100**	–	100
AP Solar Tiwi, Inc. *	Power	**–**	**100**	–	100
Aseagas Corporation (Aseagas)*	Power	**–**	**100**	–	100
Cordillera Hydro Corporation (CHC) *	Power	**–**	**100**	–	100
Negron Cuadrado Geopower, Inc. (NCGI) *	Power	**–**	**100**	–	100
Tagoloan Hydro Corporation *	Power	**–**	**100**	–	100
Luzon Hydro Company Limited*	Power	**–**	**100**	–	100
Therma Power, Inc. (TPI) and Subsidiaries	Power	**–**	**100**	–	100
Abovant Holdings, Inc. (AHI)	Power	**–**	**60**	–	60
Therma Power - Visayas, Inc. (TPVI) *	Power	**–**	**100**	–	100
Therma Luzon, Inc. (TLI)	Power	**–**	**100**	–	100
Therma Marine, Inc. (Therma Marine)	Power	**–**	**100**	–	100
Therma Mobile, Inc.(Therma Mobile)	Power	**–**	**100**	–	100
Therma South, Inc. (TSI) *	Power	**–**	**100**	–	100
Therma Central Visayas, Inc. (TCVI) *	Power	**–**	**100**	–	100
Mindanao Sustainable Solutions, Inc. *	Services	**–**	**100**	–	100
Therma Subic, Inc. (Therma Subic) *	Power	**–**	**100**	–	100
Therma Mariveles Holdings L.P.	Holding	**–**	**100**	–	100
Therma Mariveles, LLC	Holding	**–**	**100**	–	100
Therma Mariveles Consulting Services, LLC	Holding	**–**	**100**	–	100
Therma Mariveles Holding Cooperatief U.A.	Holding	**–**	**100**	–	100
Therma Mariveles Camaya B.V.	Holding	**–**	**100**	–	100
Therma Mariveles Holdings, Inc.	Holding	**–**	**100**	–	100
GNPower Mariveles Coal Plant Ltd. Co. (GMCP)	Power	**–**	**66.07**	–	66.07
Therma Dinginin L.P.	Holding	**–**	**100**	–	100
Therma Dinginin, LLC	Holding	**–**	**100**	–	100
Therma Dinginin Offshore Services Inc.	Holding	**–**	**100**	–	100
Therma Dinginin Holding Cooperatief U.A.	Holding	**–**	**100**	–	100
Therma Dinginin B.V.	Holding	**–**	**100**	–	100
Therma Dinginin Holdings, Inc.	Holding	**–**	**100**	–	100
Therma Visayas, Inc. (TVI) *	Power	**–**	**80**	–	80
AboitizPower International Pte. Ltd.	Holding	**100**	**–**	100	–
Adventenergy, Inc. (AI)	Power	**–**	**100**	–	100
Cebu Private Power Corporation (CPPC)	Power	**–**	**60**	–	60
Prism Energy, Inc. (PEI) *	Power	**–**	**60**	–	60
Pilmico Foods Corporation (PILMICO) and Subsidiaries	Food manufacturing	**100**	**–**	100	–
Fil-Agri Holdings, Inc.	Holding company	**–**	**100**	–	100
Pilmico Animal Nutrition Corporation (PANC)	Food manufacturing	**–**	**100**	–	100
Fil-Agri, Inc.	Food manufacturing	**–**	**100**	–	100
AboitizLand, Inc. (AboitizLand) and Subsidiaries	Real estate	**100**	**–**	100	–
Cebu Industrial Park Developers, Inc. (CIPDI)	Real estate	**–**	**60**	–	60
Misamis Oriental Land Development, Inc. (MOLDC)	Real estate	**–**	**60**	–	60
Propriedad del Norte, Inc. (PDNI)	Real estate	**–**	**100**	–	100
Lima Land, Inc (LLI) and Subsidiaries	Real estate	**–**	**100**	–	100
AEV International Pte. Ltd (AEV International) and Subsidiaries	Holding company	**100**	**–**	100	–
Pilmico International Pte. Ltd (Pilmico International) and Subsidiary	Holding company	**–**	**100**	–	100
Pilmico Vietnam Feeds Joint Stock Company (Pilmico Feeds)	Food manufacturing	**–**	**100**	–	100
Pilmico Viet Nam Trading Company, Ltd.	Trading	**–**	**100**	–	100

Pilmico Animal Nutrition Joint Stock Company (PAN JSC)	Food manufacturing	**–**	**70**	–	70
PT PILMICO Foods Indonesia	Trading	**–**	**67**	–	67
Gold Coin Management Holdings Limited (GCMH)	Holding company		**75**	–	–
GC Investment Holdings Limited (GCIH)	Holding company		**100**	–	–
Gold Coin (ZhangJiang) Company Limited (GCZJ)	Feedmills		**100**	–	–
Gold Coin (Zhangzhou) Company Limited (GCZZ)	Feedmills		**100**	–	–
Gold Coin (Zhuhai) Company Limited (GCZH)	Feedmills		**100**	–	–
Gold Coin Feedmill (Kunming) Company Limited (GCKM)	Feedmills		**100**	–	–
Gold Coin Feedmill (Dongguan) Co. Limited (GCDG)	Feedmills		**100**	–	–
Gold Coin Management (Shenzhen) Co. Limited (GCSZ)	Holding company		**100**	–	–
Gold Coin Malaysia Group Sdn. Bhd. (GCMG)	Holding company		**70**	–	–
Gold Coin Feedmills (Malaysia) Sdn. Bhd. (GCFM)	Feedmills		**100**	–	–
Gold Coin Feedmill (Sabah) Sdn. Bhd. (GCFS)	Feedmills		**100**	–	–
Gold Coin Sarawak Sdn. Bhd. (GCS)	Feedmills		**72.8**	–	–
Bintawa Fishmeal Factory Sdn. Bhd. (BFF)	Feedmills		**72.8**	–	–
Golden Livestock Sdn Bhd (GLS)	Holding company		**100**	–	–
Gold Coin Sabah Sdn. Bhd. (GCSAB)	Holding company		**100**	–	–
Gold Coin Feedmill (Dong Nai) Co. Ltd. (GCFD)	Feedmills		**100**	–	–
American Feeds Company Limited (AFC)	Feedmills		**100**	–	–
Gold Coin Feedmill Ha Nam Company Limited (GCFHN)	Feedmills		**100**	–	–
Gold Coin Feed Mills (Lanka) Ltd. (GCFL)	Feedmills		**60**	–	–
Comfez Limited (CFL)	Sourcing/Trading company		**100**	–	–
APAC Commodities Pte. Ltd. (APAC)	Sourcing/Trading company		**100**	–	–
Gold Coin Group Limited (GCG)	Holding company		**100**	–	–
Gold Coin Holdings Sdn Bhd (GCHSB)	Management Services		**100**	–	–
Gold Coin Services Singapore Pte Limited (GCSS)	Management Services		**100**	–	–
Comfez Pte. Ltd. (CPL)	Sourcing/Trading company		**100**	–	–
Myanmar Gold Coin International Co. Ltd. (MGCI)	Feedmills		**100**	–	–
KLEAN Greentech Co. Ltd. (KGT)	Feedmills		**49**	–	–
Gold Coin Aqua Feed Incorporated (FKA Syaqua Group Incorporated) (SYBVI)	Holding company		**100**	–	–
Gold Coin Aqua Feed (Hong Kong) Ltd (FKA Sya Holdings (Hong Kong) Ltd) (SYHK)	Holding company		**100**	–	–
Gold Coin Aqua Feed (Singapore) Pte Ltd (FKA SYAQUA Singapore Pte Ltd) (SYSG)	Holding company		**100**	–	–
Gold Coin Specialities Sdn. Bhd. (GCSSB)	Feedmills		**70**	–	–
Gold Coin Specialities (Thailand) Co. Ltd. (GCST)	Feedmills		**93.9**	–	–
P.T. Gold Coin Trading Indonesia (GCTI)	Feedmills		**100**	–	–
P.T. Gold Coin Specialities (GCSI)	Feedmills		**100**	–	–
P.T. Gold Coin Indonesia (GCI)	Feedmills		**100**	–	–
PT Ayam Unggul (PT Ayam)	Feedmills		**60**	–	–
FEZ Animal Nutrition Pte Ltd (FEZ)	Holding company		**100**	–	–
FEZ Animal Nutrition Philippines, Inc. (FEZ(PH))	Holding company		**100**	–	–
FEZ Animal Nutrition Pakistan (Private) Limited (FEZ(PK))	Holding company		**100**	–	–
FEZ Animal Nutrition (Malaysia) Sdn. Bhd. (FEZ(M))	Holding company		**100**	–	–
Archipelago Insurance Pte Ltd (AIPL)	Insurance	**100**	**–**	100	–
Aseagas Corporation (Aseagas) *	Biogas Manufacturing	**-**	**–**	-	–
AEV Aviation, Inc. (AEV Aviation)	Service	**73.31**	**26.69**	73.31	26.69
AEV Properties, Inc. *	Real estate	**100**	**–**	100	–
Cebu Praedia Development Corporation (CPDC)	Real estate	**100**	**–**	100	–
PETNET, Inc. (PETNET)	Financial services	**51**	**–**	51	–
Aboitiz Infracapital, Inc. (AIC)	Holding company	**100**	**–**	100	–
Lima Water Corporation (LWC)	Water	**–**	**100**	–	100
Apo Agua Infrastructura, Inc. *	Supply of treated bulk water	**21.76%**	**48.24%**	22.22%	47.78%

** No commercial operations as of September 30, 2018 and December 31, 2017.*

4. Seasonality of Interim Operations

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

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

5. Property, Plant and Equipment, Land and Improvement), and Investment Properties

During the first nine months of 2018, additions to property, plant and equipment (PPE) totalled P9.65 billion. A significant portion of the Group's PPE relates to various projects under "Construction in progress" as of September 30, 2018 and December 31, 2017, as shown below:

Project Company	Estimated costs to complete (in millions)	% of completion	Estimated costs to complete (in millions)	% of completion
	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
TVI	7,886	10,375	80%	73%
Hedcor Bukidnon	1,406	2,858	88%	75%
PEC	0	2,294	100%	87%

For the current period, construction costs for the various projects reached P4.13 billion, which includes capitalized borrowing costs amounting to P1.95 billion.

Additions to land and improvements amounted to P49.8 million, representing AboitizLand's purchase of various lots for future development.

6. Material Events and Changes

a. AEV Dividend Declaration and Retained Earnings Appropriation

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

i.) Declaration of a regular cash dividend of ₱1.28 per share (₱7.21 billion) to all stockholders of record as of March 22, 2018. These dividends were out of the unrestricted retained earnings as of December 31, 2017, and paid on April 12, 2018. Said declaration is in compliance with the Company's policy of distributing a regular dividend equivalent to at least 33% of previous year's consolidated net income.

ii.) Appropriation of ₱4.2 billion of the retained earnings as of December 31, 2017 for the additional capital infusion into Aboitiz Infracapital, Inc. to finance its capital infusion into Apo Agua Infrastructura, Inc. for the funding of the construction of a bulk water treatment facility, as follows:

Investee	Project to be Funded	Board Approval Date	Estimated Project Start Date	Estimated Project Completion Date	Appropriation (in thousands)
Apo Agua Infrastructura, Inc.	Plant Construction	January, 2018	2nd quarter 2018	1st quarter 2021	4,200,000
Total					**4,200,000**

iii.) Reversal of ₱1.622 billion retained earnings appropriation that was set up in 2016 for the funding of the ₱1.0 billion purchase price adjustment for the acquisition of the Philippine business of Lafarge S.A. and the ₱622 million capital infusion into Apo Agua Infrastructura, Inc.

b. Disposition of PETNET Shares

On February 9, 2018, AEV signed a Share Purchase Agreement for the sale of its 51% stake in PETNET Inc. (PETNET) to City Savings Bank, Inc. (CitySavings) and Union Properties, Inc. for a cash consideration of Php 1.2 billion. The sale and the resulting consolidation of all of AEV's existing interests in banking and financial services will unlock shareholder value from the synergies between the core businesses of CitySavings and PETNET. On May 10, 2018, the Philippine Competition Commission (PCC) notified AEV of the Comission's approval.

c. Acquisition of Additional UBP Shares

In March, 2018, the Company bought 3,113,385 common shares of Union Bank of the Philippines (UBP) at a price of ₱90.75 per share. In September, 2018, it acquired 80,894,430 of same shares through stock subscription at ₱62.97 per share. These acquisitions brought up AEV's ownership in UBP from 48.83% at the beginning of the year to 49.36%.

d. Acquisition of Gold Coin

Pilmico International Pte Ltd ("Pilmico International"), a wholly owned subsidiary of AEV through its Singapore-based holding entity, AEV International Pte Ltd. Pilmico International, signed a share purchase agreement with British Virgin Islands-based Golden Springs Group, Ltd. (GSG) for 75% equity interest in Gold Coin. The consideration is based on an enterprise value of US$413 million, which is equivalent to 75% of the total enterprise value of US$550 million. After deducting cash-like adjustments, the final cash consideration is US$334 million. The transaction will be funded through financing from foreign banks.

Gold Coin is engaged in the business of animal feeds manufacturing, which it carries out through various subsidiaries operating 20 feed mills situated in 11 countries in the Asia Pacific.

e. Facility Agreement to Finance Gold Coin Acquisition

AEV International Pte. Ltd., a wholly owned subsidiary of AEV, signed on July 20, 2018, a Facility Agreement with DBS Bank Ltd., Mizuho Bank, Ltd., MUFG Bank, Ltd., and Standard Chartered Bank to obtain an acquisition loan in the amount of up to Three Hundred Thirty Eight Million US Dollars (USD338,000,000.00). The proceeds of the loan was used to finance the acquisition of 75% equity interest in Gold Coin Management Holdings Limited by Pilmico International Pte. Ltd., also a wholly owned subsidiary of AEV.

f. AP Fixed Retail Bonds

On July 26, 2018, the Board of Directors of AP approved the issuance of fixed-rate retail bonds from the remaining amount of Php27 billion bonds (the "Bonds"), out of the Php30 billion bonds registered in 2017 under the shelf registration program of the Securities Exchange Commission (SEC).

On August 29, 2018, AP filed an application with the SEC to issue the second tranche of its Php30 billion Debt Securities Program (the "Second Tranche Bonds"), registered with the SEC under its shelf registration program on 19 June 2017. The Second Tranche Bonds, equivalent to Php10 billion and with an oversubscription option of up to Php5 billion, are expected to be offered to the general public during the fourth quarter of 2018. The Second Tranche Bonds received an issue credit rating of "PRS Aaa", with a Stable Outlook, from the Philippine Ratings Services Corporation (“PhilRatings”).

g. AP's Acquisition of AA Thermal, Inc.

On September 26, 2018, AP entered into a share purchase agreement with Arlington Mariveles Netherlands Holding BV, an affiliate of AC Energy, Inc. (AC Energy), and a shareholders’ agreement with AC Energy, a wholly-owned subsidiary of Ayala Corporation, for the proposed acquisition of a 49% voting stake and 60% economic stake in AA Thermal, Inc., AC Energy’s thermal platform in the Philippines (the Transaction). Closing of the Transaction is subject to the satisfaction of certain conditions precedent, including the approval by the Philippine Competition Commission. The Transaction was valued at USD 579.2 million.

AA Thermal’s assets initially consist of AC Energy’s limited partnership interests in GNPower Mariveles Coal Plant Ltd. Co., the owner and operator of an operating 2x316 MW coal plant in Mariveles, Bataan (the Mariveles Project), and in GNPower Dinginin Ltd. Co., the developer and owner of a 2x668 MW supercritical coal plant project in Dinginin, Bataan (the Dinginin Project), which is currently under construction.

The agreement will increase AboitizPower’s beneficial ownership in the Mariveles Project to 78.325%, and in the Dinginin Project to 70%. The Mariveles Project has been operating since 2013, while the first unit of the Dinginin Project is scheduled to go online in 2019.

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

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

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

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

7. Events After the Reporting Period

a. AP Fixed Retail Bonds

On October 11, 2018, AP received the Certificate of Permit to Offer Securities for Sale from the SEC. On October 25, 2018, AP received the approval of the Philippine Dealing and Exchange Corporation (PDEx) to list the Php10 billion second tranche bonds.

8. Material Adjustments

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

9. Contingencies

The Group is a party to certain proceedings and legal cases with other parties in the normal course of business. The ultimate outcome of these proceedings and legal cases cannot be presently determined. Management, in consultation with its legal counsels, believes that it has substantial legal and factual bases for its positions and is currently of the opinion that the likely outcome of these proceedings and legal cases will not have a material adverse effect on the Group's financial position and operating results. It is possible, however, that the future results of operations could be materially affected by changes in estimates or in the effectiveness of the strategies relating to these proceedings and legal cases.

AP obtained standby letters of credit (SBLC) and is acting as surety for the benefit of certain subsidiaries and associates in connection with loans and credit accommodations.

M. SCHEDULE OF RELEVANT FINANCIAL RATIOS

	FORMULA	September 30, 2018	As restated in 2018 December 31, 2017
LIQUIDITY RATIOS			
Current ratio	Current assets / Current liabilities	**1.60**	1.56
Acid test ratio	Cash + Marketable Securities + Accounts Receivable+ Other Liquid Assets / Current liabilities	**1.14**	1.25
SOLVENCY RATIOS			
Debt to equity ratio	Total liabilities / Total equity	**1.56**	1.56
Asset to equity ratio	Total assets / Total equity	**2.56**	2.56
Net debt to equity ratio	Debt - cash & cash equivalents / Total equity	**1.08**	1.01
Gearing ratio	Debt - cash & cash equivalents / Total equity + (Debt - cash & cash equivalents)	**51.95%**	50.25%
Interest coverage ratio	EBIT / Interest expense	**4.20**	4.13
PROFITABILITY RATIOS			
Operating Margin	Operating Profit / Total revenues	**21.6%**	24.32%
Return on Equity*	Net income after tax / Total equity	**n.a.**	16.01%

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

"FOR PSE REQUIREMENT"

ABOITIZ EQUITY VENTURES, INC. & SUBSIDIARIES

AGING OF RECEIVABLES

AS OF : September 30, 2018

(amts in P000's)

	30 Days	60 Days	90 Days	Over 90 Days	Total
Trade Receivables					
Power	13,211,023	1,215,348	426,833	3,185,391	18,038,595
Food Manufacturing	2,344,463	313,311	95,726	183,602	2,937,102
Real Estate	706,904	109,449	173,477	2,944,890	3,934,720
Financial Services	34,075	793	1,497	14,949	51,314
Infrastructure	9,254	1,095	820	210	11,379
Holding and Others	5,436,884	131,498	42,237	51,309	5,661,928
	21,742,603	**1,771,494**	**740,590**	**6,380,351**	**30,635,038**
Others	**7,446,165**	**32,935**	**15,702**	**554,692**	**8,049,494**
	29,188,768	**1,804,429**	**756,292**	**6,935,043**	**38,684,532**
Less Allowance for Doubtful Accounts					**2,163,441**
					36,521,091

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AS OF : DECEMBER 31, 2017

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

test

ACCOUNTS RECEIVABLE DESCRIPTION

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

NORMAL OPERATING CYCLE

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

Food Subsidiary - 90 days

Financial Services Subsidiary - 60 days

Real Estate Subsidiary - 30 days