aboitiz
Equity Ventures

SECURITIES AND EXCHANGE COMMISSION
RECEIVED
MAR 25 2019
MARKET REGULATION DEPT.
BY: [signature] TIME: 2:15pm

March 25, 2019

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 : **ATTY. JOSEPH B. EVANGELISTA**
Head - Issuer Compliance and Disclosures Department

Gentlemen:

Attached is the SEC Form 20-IS (Definitive Information Statement 2018) of Aboitiz Equity Ventures Inc. for your files.

Kindly acknowledge receipt hereof.

Thank you.

Very truly yours,

ABOITIZ EQUITY VENTURES INC.
By:

MANUEL ALBERTO R. COLAYCO
Corporate Secretary

COVER SHEET

C	E	O	2	5	3	6				

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

20-IS
FORM TYPE

4th Monday of April
04 22
Month *Day*
Annual Meeting

N/A
Secondary License Type, if Applicable

SEC
Dept. Requiring this Doc

N/A
Amended Articles Number/Section

Total No. of Stockholders

x
Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = Pls. use black ink for scanning purposes

aboitiz
Equity Ventures

DRIVING A CULTURE OF VALUES

SEC FORM 20-IS
(INFORMATION STATEMENT)

ANNUAL REPORT 2018

Table of Contents

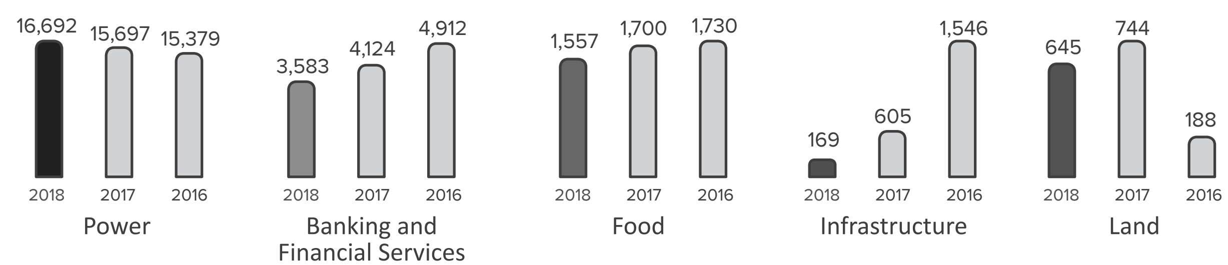
FINANCIAL SUMMARY

(in PHP millions)	2016	2017*	2018	% Change (2018 vs. 2017)
INCOME STATEMENT				
Revenues	116,415	150,422	186,943	24.3%
Operating costs & expenses	(87,494)	(113,846)	(147,781)	
Operating profit	28,921	36,576	39,162	7.1%
Equity in net earnings of associates and joint ventures	9,652	9,054	7,728	-14.6%
Other charges	(5,630)	(11,768)	(11,752)	-0.1%
Income before income tax	32,943	33,862	35,138	3.8%
Provision for income tax	(4,290)	(4,583)	(3,899)	-14.9%
Net Income before non-controlling interests	28,653	29,279	31,239	6.7%
Non-controlling interests	(6,180)	(7,670)	(9,006)	
Net income attributable to equity holders of parent	22,473	21,609	22,233	2.9%
EBITDA	48,128	56,977	60,653	6.5%
FINANCIAL CONDITION				
Total assets	466,308	491,932	554,588	12.7%
Total liabilities	292,332	299,661	337,325	12.6%
Non-controlling interests	33,700	37,573	42,558	13.3%
Equity attributable to equity holders of the parent	140,275	154,698	174,705	12.9%
RATIOS				
Per Share (Pesos)				
Earnings	4.02	3.84	3.95	2.9%
Book Value	24.90	27.46	31.02	12.8%
Cash dividend to common	1.06	1.33	1.28	-3.8%
Return on equity	19.7%	16.0%	14.9%	
Current ratio	2.51	1.61	1.76	
Debt/Equity	1.68	1.56	1.55	
Net debt/Equity	1.10	1.01	1.02	

* *2017 Investment and Advances and Retained Earnings accounts have been restated in 2018 to consider AEV's share in the prior-period adjustments of an associate.*

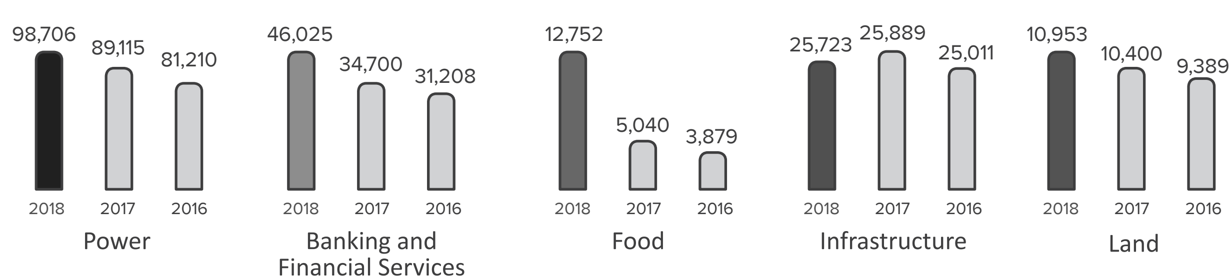
Income Contribution Breakdown

Per Business Segment (in PHP millions)



Equity Investment Breakdown

Per Business Segment (in PHP millions)



NOTICE AND AGENDA OF ANNUAL MEETING OF STOCKHOLDERS

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

NOTICE is hereby given that the Annual Meeting of the Stockholders of ABOITIZ EQUITY VENTURES INC. (the "Company") will be held on April 22, 2019, Monday, 4:30 p.m., at The Ballroom, 2nd Floor, New World Makati Hotel, Esperanza Street corner Makati Avenue, Ayala Center, Makati City, 1228, Philippines.

The Agenda* of the meeting is as follows:

1. Call to Order
2. Proof of Notice of Meeting
3. Determination of Quorum
4. Reading and Approval of the Minutes of the Previous Stockholders' Meeting held on May 21, 2018
5. Presentation of the President's Report
6. Approval of the 2018 Annual Report and Financial Statements
7. Appointment of the Company's External Auditor for 2019
8. Election of the Members of the Board of Directors
9. Approval of the Increase in the Directors' Per Diem and Monthly Allowance
10. Ratification of the Acts, Resolutions, and Proceedings of the Board of Directors, Corporate Officers, and Management from 2018 up to April 22, 2019
11. Other Business
12. Adjournment

Only stockholders of record at the close of business on March 25, 2019 are entitled to notice and to vote at this meeting. Registration will start at 2:00 p.m. on April 22, 2019 and will end at 4:15 p.m. of that day. Stockholders are requested to present any proof of identification, such as driver's license, passport, company ID or SSS/GSIS ID. Aside from personal identification, representatives of corporate stockholders and other juridical entities must also present a duly sworn secretary's certificate or any similar document showing his or her authority to represent the corporation or entity.

Stockholders who are unable to attend the meeting may execute a proxy in favor of a representative. In accordance with the Amended By-Laws of the Company, proxies must be submitted to the Office of the Corporate Secretary for inspection, validation, and recording at least seven days prior to the opening of the Annual Stockholders' Meeting, or on or before the close of business hours on April 15, 2019, at the 18th Floor NAC Tower, 32nd Street, Bonifacio Global City, Taguig City, Metro Manila. The Proxy Validation Committee will inspect, examine and validate the sufficiency of the proxy forms received.

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

For the Board of Directors:

(SGD.)
MANUEL ALBERTO R. COLAYCO
CORPORATE SECRETARY

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

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

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

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

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

4. SEC Identification Number: **CEO2536**

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

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

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

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

   Date : **APRIL 22, 2019**
   Time : **4:30 p.m.**
   Place : **THE BALLROOM, 2ND FLOOR, NEW WORLD MAKATI HOTEL**
   ESPERANZA STREET CORNER MAKATI AVENUE,
   AYALA CENTER, MAKATI CITY 1228, PHILIPPINES

9. Approximate date when the Information Statement is first to be sent or given to security holders: **MARCH 26, 2019**

10. In case of Proxy Solicitations: **No proxy solicitation is being made.**

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

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

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

No. of Common Shares Outstanding as of December 31, 2018 **5,632,792,557**

Amount of Debt Outstanding as of December 31, 2018 **₱285,305,308,057.00**

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

Yes X No

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

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

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1. Date, time, and place of the 2019 Annual Stockholders' Meeting

Date of meeting	:	**April 22, 2019**
Time of meeting	:	**4:30 p.m.**
Place of meeting	:	**The Ballroom, 2nd Floor, New World Makati Hotel Esperanza Street corner Makati Avenue, Ayala Center, Makati City 1228 Philippines**
Approximate mailing date of this statement	:	**March 26, 2019**
Complete mailing address of the principal office of the Registrant	:	**18th Floor, NAC Tower, 32nd Street Bonifacio Global City Taguig City, Metro Manila 1634 Philippines**

Item 2. Dissenter's Right of Appraisal

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

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

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

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

(a) Other than the proposed increase in the directors' montly allowance and per diem, and the election to AEV's Board of Directors, no current director or officer of AEV, or nominee for election as director of AEV, or any associate of any of the foregoing persons, has substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon in the stockholders' meeting.

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

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

(a) Class of Voting Shares as of February 28, 2019:

Nationality	Class of Voting Shares	Number of Shares	Percentage
Filipino	Common	5,103,579,554	90.61%
Non-Filipino		529,033,003	9.39%
Total Number of Shares Entitled to Vote		**5,632,792,557**	**100.00%**

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

(b) Record Date

All stockholders of record as of March 25, 2019 are entitled to notice of and to vote at AEV's 2019 Annual Stockholders' Meeting.

(c) Election of Directors and Cumulative Voting Rights

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

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

In accordance with Section C(1) of the Amended Guidelines for the Nomination and Election of Independent Directors (the "Guidelines"), nominations for independent directors must be submitted to the Corporate Secretary from January 1, 2019 to February 15, 2019.

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

No discretionary authority to cumulate votes is solicited.

(d) No proxy solicitation is being made.

Security Ownership of Certain Record and Beneficial Owners and Management

(1) Security Ownership of Certain Record and Beneficial Owners (more than 5% of the voting shares) as of February 28, 2019

Title of Class of Shares	Name, Address of Record Owner, and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held and Nature of Ownership (Record and/or Beneficial)	Percentage of Ownership
Common	1. **Aboitiz & Company, Inc. (ACO)**[1] Aboitiz Corporate Center, Gov. Manuel A. Cuenco Avenue, Kasambagan, Cebu City (Stockholder)	ACO[2]	Filipino	2,735,600,915 (Record and Beneficial)	48.57%
Common	2. **PCD Nominee Corporation**[3] **(Filipino)** 37th Floor, Tower 1, The Enterprise Center, 6766 Ayala Avenue cor. Paseo de Roxas, Makati City, 1226 Metro Manila (Stockholder)	PCD participants acting for themselves or for their customers.[4]	Filipino	801,851,868 (Record)	14.24%
Common	3. **PCD Nominee Corporation**[5] **(Foreign)** 37th Floor, Tower 1, The Enterprise Center, 6766 Ayala Avenue cor. Paseo de Roxas, Makati City, 1226 Metro Manila (Stockholder)	PCD participants acting for themselves or for their customers.[6]	Non-Filipino	514,689,488 (Record)	9.14%
Common	4. **Ramon Aboitiz Foundation, Inc. (RAFI)**[7] 35 Lopez Jaena St., Cebu City (Stockholder)	RAFI	Filipino	424,538,863 (Record and Beneficial)	7.54%

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

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

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

4 Each beneficial owner of shares, through a PCD participant is the beneficial owner of such number of shares he owns in his account with the PCD participant. AEV has no record relating to the power to decide how the shares held by PCD Nominee Corporation (Foreign and Filipino) to be voted. Of the 801,851,868 shares held by PCD Nominee Corporation (Filipino), at least 390,930,066 shares or 6.94% of the voting stock of AEV are for the account of Papa Securities Corporation (PapaSec). AEV is not related to PapaSec.

5 *Supra Note 3.*

6 *Supra Note 4.*

7 Ms. Ana Maria A. Delgado and/or Mr. Mikel A. Aboitiz, will vote for the shares of RAFI in AEV in accordance with the directive of the RAFI Board of Trustees.

(2) Security Ownership of Management as of February 28, 2019 (Record and Beneficial)

Name of Owner and Position	Title of Class of Shares	No. of Shares and Nature of Ownership (Direct and/or Indirect)		Citizenship	Percentage of Ownership
Enrique M. Aboitiz Chairman of the Board	Common	6,000	Direct	Filipino	0.00%
		0	Indirect		0.00%
Mikel A. Aboitiz Vice Chairman of the Board	Common	10	Direct	Filipino	0.00%
		94,384,012	Indirect		1.68%
Erramon I. Aboitiz Director/President and Chief Executive Officer	Common	1,001,000	Direct	Filipino	0.02%
		74,614,132	Indirect		1.32%
Sabin M. Aboitiz Director/Executive Vice President and Chief Operating Officer	Common	14,415,650	Direct	Filipino	0.26%
		7,676,397	Indirect		0.14%
Ana Maria A. Delgado Director	Common	500	Direct	Filipino	0.00%
		26,112,880	Indirect		0.46%
Edwin R. Bautista Director	Common	1,000	Direct	Filipino	0.00%
		0	Indirect		0.00%
Raphael P. M. Lotilla Lead Independent Director	Common	100	Direct	Filipino	0.00%
		0	Indirect		0.00%
Jose C. Vitug Independent Director	Common	100	Direct	Filipino	0.00%
		72,020	Indirect		0.00%
Manuel R. Salak III Independent Director	Common	100	Direct	Filipino	0.00%
		0	Indirect		0.00%
Manuel R. Lozano Senior Vice President/Chief Financial Officer/ Corporate Information Officer	Common	171,028	Direct	Filipino	0.00%
		92,691	Indirect		0.00%
Gabriel T. Mañalac Senior Vice President and Group Treasurer	Common	142,665	Direct	Filipino	0.00%
		0	Indirect		0.00%
Susan V. Valdez[8] Senior Vice President and Chief Human Resources Officer	Common	769,926	Direct	Filipino	0.01%
		0	Indirect		0.00%
Robert McGregor Executive Director – Chief Investments Officer	Common	211,141	Direct	British	0.00%
		0	Indirect		0.00%
Luis Miguel O. Aboitiz Senior Vice President	Common	26,377,390	Direct	Filipino	0.46%
		9,627,336	Indirect		0.17%
Jojo S. Guingao Senior Vice President and Chief Digital Officer	Common	23,103	Direct	Filipino	0.00%
		8,000	Indirect		0.00%
David Jude L. Sta. Ana Senior Vice President and Chief External Affairs Officer	Common	10,637	Direct	Filipino	0.00%
		0	Indirect		0.00%
Christopher P. Beshouri Executive Director – Chief Strategy Officer	Common	27,000	Direct	American	0.00%
		0	Indirect		0.00%

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

Name of Owner and Position	Title of Class of Shares	No. of Shares and Nature of Ownership (Direct and/or Indirect)		Citizenship	Percentage of Ownership
Annacel A. Natividad Chief Risk Officer	Common	20,022	Direct	Filipino	0.00%
		67,635	Indirect		0.00%
Ricardo F. Lacson, Jr. Data Privacy Officer	Common	0	Direct	Filipino	0.00%
		116,319	Indirect		0.00%
Maria Lourdes Y. Tanate Group Internal Audit Head	Common	0	Direct	Filipino	0.00%
		12,312	Indirect		0.00%
Manuel Alberto R. Colayco Chief Legal Officer/Corporate Secretary/ Chief Compliance Officer	Common	45,087	Direct	Filipino	0.00%
		0	Indirect		0.00%
Mailene M. de la Torre Assistant Corporate Secretary	Common	0	Direct	Filipino	0.00%
		0	Indirect		0.00%
Joanne L. Ranada Assistant Corporate Secretary	Common	0	Direct	Filipino	0.00%
		0	Indirect		0.00%
TOTAL		**256,256,678**			**4.55%**

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

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

(4) Changes in Control

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

Item 5. Directors and Executive Officers

(a) Directors and Officers for 2018 - 2019

(1) Directors for 2018-2019

Below is the list of AEV's directors for 2018-2019 with their corresponding positions and offices held for the past five years. Except for Mr. Edwin R. Bautista and Ms. Ana Maria A. Delgado, who assumed their directorships to serve the unexpired terms of Mr. Antonio R. Moraza and Mr. Jon Ramon Aboitiz, respectively, the directors assumed their directorship during AEV's Annual Stockholders' Meeting in 2018 for a term of one year.

ENRIQUE M. ABOITIZ Chairman – Board of Directors Chairman – Board Risk and Reputation Management Committee Member – Board Corporate Governance Committee – Board Audit Committee – Board Executive Committee	Mr. Enrique M. Aboitiz, 65 years old, Filipino, was appointed Chairman of the Board of Directors on December 11, 2018. He has served as a director of AEV since May 9, 1994, and has been Chairman of the Board Risk and Reputation Management Committee since February 11, 2009, member of the Board Audit and Board Corporate Governance Committees since December 11, 2018, and of the Board Executive Committee since May 21, 2018. He is also the Vice Chairman of the Board of Directors of Aboitiz Power Corporation (AboitizPower), a publicly-listed company, since December 11, 2018, and Vice Chairman of Aboitiz & Company, Inc. (ACO). Mr. Aboitiz graduated with a Bachelor of Science degree in Business Administration, Major in Economics, from Gonzaga University, Spokane, Washington, U.S.A. He is not connected with any government agency or instrumentality.
MIKEL A. ABOITIZ Vice Chairman – Board of Directors Member – Board Corporate Governance Committee – Board Audit Committee – Board Risk and Reputation Management Committee – Board Executive Committtee	Mr. Mikel A. Aboitiz, 64 years old, Filipino, was appointed Vice Chairman of the Board of Directors on December 11, 2018. He has served as a director of AEV since May 15, 2017 and was formerly Senior Vice President of AEV from 2004 to 2015. He is currently a member of AEV's Board Audit Committee and Board Corporate Governance Committee, positions which he held since May 2017. He is also a member of the Board Executive Committee since May 21, 2018 and of the Board Risk and Reputation Management Committee since December 11, 2018. He has been director of AboitizPower, a publicly-listed company, since February 13, 1998, and was appointed as its Chairman of the Board of Directors on September 1, 2018. He was formerly Vice Chairman of the Board of City Savings Bank, Inc. (CitySavings) from 2015 to 2016 and President and CEO from 2001 to 2014. He is currently a Chairman of ACO and a trustee and Vice Chairman of Ramon Aboitiz Foundation, Inc. (RAFI). He holds a degree in Bachelor of Science, Major in Business Administration, from Gonzaga University, Spokane, Washington, U.S.A. He is not connected with any government agency or instrumentality.
ERRAMON I. ABOITIZ Director President & Chief Executive Officer Chairman – Board Executive Committee Member – Board Risk and Reputation Management Committee	Mr. Erramon I. Aboitiz, 62 years old, Filipino, has served as President & Chief Executive Officer of AEV since January 5, 2009. He has been a director of AEV since May 9, 1994, member of the Board Risk and Reputation Management Committee since May 18, 2015, and Chairman of the Board Executive Committee since May 21, 2018. Mr. Aboitiz was the Executive Vice President and Chief Operating Officer of AEV from 1994 to December 2008. Mr. Aboitiz is the President and Chief Executive Officer of AboitizPower, a publicly-listed company. Mr. Aboitiz is also President and Chief Executive Officer of ACO; Chairman of the Board of Directors of the following companies:

	Aboitiz Infracapital, Inc. (Aboitiz InfraCapital), Aboitiz Land, Inc. (AboitizLand), San Fernando Electric Light & Power Co., Inc. (SFELAPCO), the SN Aboitiz Power Group, Therma Power, Inc., CRH Aboitiz Holdings, Inc. (CRH Aboitiz), and Aboitiz Renewables, Inc. He is Vice Chairman of Republic Cement & Building Materials, Inc. (RCBM), and of Union Bank of the Philippines (UnionBank), a publicly-listed company. He is also Chairman of UnionBank's Executive Committee and Nomination Committee. Lastly, he is Chairman of the Board of Trustees of Aboitiz Foundation, Inc. (Aboitiz Foundation), and is a director of the Philippine Disaster Recovery Foundation. Mr. Aboitiz was awarded the Management Association of the Philippines Management Man of the Year and Ernst & Young's Entrepreneur of the Year both in 2011. Mr. Aboitiz earned a Bachelor of Science degree in Business Administration, Major in Accounting and Finance, from Gonzaga University, Spokane, Washington, U.S.A. He was also conferred an Honorary Doctorate Degree in Management by the Asian Institute of Management. He is not connected with any government agency or instrumentality.
SABIN M. ABOITIZ Director Executive Vice President and Chief Operating Officer Member – Board Risk and Reputation Management Committee – Board Executive Committee	Mr. Sabin M. Aboitiz, 54 years old, Filipino, was elected director of AEV in May 21, 2018 and has been the Company's Executive Vice President and Chief Operating Officer since December 18, 2015. He was First Vice President of AEV from May 2014 to May 2015 and Senior Vice President from May to December 2015. Mr. Aboitiz is the Chairman of Weather Philippines Foundation, Inc. (WeatherPhilippines) and Filagri, Inc., and Vice Chairman of AboitizLand. He concurrently serves as Chairman and President of AEV Aviation, Inc. (AEV Av); Director and President & CEO of Pilmico Animal Nutrition Corporation (PANC), Pilmico Foods Corporation (Pilmico), and Aboitiz InfraCapital; Director and President of AEV CRH Holdings, Inc. (AEV CRH); Director of UnionBank, a publicly-listed company, ACO, RCBM, CRH Aboitiz, Apo Agua Infrastructura, Inc. (Apo Agua), PETNET, Inc. (PETNET), Aboitiz Construction International, Inc. (ACII), Aboitiz Construction, Inc. (ACI), Metaphil, Inc., Neptune Hydro, Inc., Republic Cement Services, Inc. (RCSI), and Gold Coin Management Holdings, Ltd. (GCMH); Alternate Director of AboitizPower International Pte. Ltd. (AboitizPower International) and AEV International Pte. Ltd. (AEV International); and Trustee of Aboitiz Foundation. He holds a degree in Business Administration - Finance from Gonzaga University, Spokane, U.S.A. He is not connected with any government agency or instrumentality.
ANA MARIA A. DELGADO Director	Ana Maria A. Delgado, 38, Filipino, was elected director of AEV on December 11, 2018. She also holds the position of Senior Vice President, Center Head of Consumer Finance and Chief Customer Experience Officer of UnionBank, a publicly-listed company, and is Treasurer of WeatherPhilippines from 2016 to present. Ms. Delgado started her career with UnionBank as a Product Manager under the Retail Banking Center, and has previously held the positions of SME Banking Business Head and Cards Business Head. Prior to joining UnionBank, she was an Assistant Vice President for Product Management at Citibank, N.A. from 2006 to 2008.

	Ms. Delgado graduated with a Bachelor of Arts degree in Art History/ Painting from Boston College and obtained her Master's Degree in Business Administration from New York University Stern School of Business in 2010. She is not a director of any other publicly-listed company. She is not connected with any government agency or instrumentality.
EDWIN R. BAUTISTA Director Member – Board Executive Committee	Edwin R. Bautista, 58 years old, Filipino, was elected director of AEV on September 1, 2018 and appointed as member of the Board Executive Committee on the same date. He is also currently a Director and the President and CEO of UnionBank, a publicly-listed company, the Chairman of the Board of Directors of CitySavings, and a Director in Union Properties, Inc., First Union Plans, Inc., and First Union Direct Corp. Prior to joining AEV as director, Mr. Bautista also served UnionBank in various capacities: as Chief Operating Officer from January 1, 2016 to December 31, 2017, Senior Executive Vice President from 2011 to 2015, Executive Vice President from 2001 to 2011, and Senior Vice President from 1997 to 2001. Mr. Bautista earned his Bachelor of Science in Mechanical Engineering degree from the De La Salle University. He also completed the Advance Management Program at the Harvard Business School. He is not connected with any government agency or instrumentality.
RAPHAEL P. M. LOTILLA Lead Independent Director Chairman – Board Corporate Governance Committee Member – Board Audit Committee – Board Risk and Reputation Management Committee – Board Related Party Transactions Committee	Mr. Raphael P.M. Lotilla, 60 years old, Filipino, has served as an independent director of AEV since May 21, 2012 and was elected as Lead Independent Director of AEV on May 15, 2017. He has been a member of the Board Audit Committee, and the Board Corporate Governance Committee since May 21, 2012, the Board Risk and Reputation Management Committee since May 18, 2015, and the Board Related Party Transactions Committee since May 15, 2017. Mr. Lotilla is also an independent director of Trans Asia Petroleum Corporation, a publicly-listed company, Petron Foundation, Inc., and First Metro Investment, Inc. He is also the Chairman of the Board of Trustees of the Center for the Advancement of Trade Integration and Facilitation, and The Asia-Pacific Pathways to Progress Foundation, Inc. Mr. Lotilla previously served the Philippine government in various capacities - Secretary of Energy; President and Chief Executive Officer (CEO) of Power Sector Assets and Liabilities Management Corporation; Deputy Director-General of the National Economic and Development Authority; *Ex-officio* Chairman of the Philippines National Oil Company; Vice Chairman of the Boards of the National Power Corporation and the National Transmission Corporation, among others. Mr. Lotilla earned his degrees in Bachelor of Science in Psychology and Bachelor of Arts in History from the University of the Philippines. He obtained his Bachelor of Laws degree from the same university where he became a Professor of Law. He holds a Master of Laws degree from the University of Michigan Law School, U.S.A. He currently serves as a member of the Board of Trustees of the Philippine Institute for Development Studies.

JOSE C. VITUG (ret.) Independent Director Chairman – Board Audit Committee Member – Board Corporate Governance Committee – Board Risk and Reputation Management Committee – Board Related Party Transactions Committee	Justice Jose C. Vitug (ret.), 84 years old, Filipino, has served as an independent director of AEV since May 16, 2005. He is Chairman of the Board Audit Committee of AEV since May 18, 2009, member of the Board Corporate Governance Committee since February 11, 2009, the Board Risk and Reputation Management Committee since May 18, 2015, and the Board Related Party Transactions Committee since May 15, 2017. Justice Vitug (ret.) is also an independent director of ABS-CBN Holdings Corporation, a publicly-listed company. He is currently a Board Trustee and Law Dean of the Angeles University Foundation, the Chairman of the Board of Trustees of Angeles University Foundation Medical Center, a Graduate Professor of the College of Law of San Beda College, a Professorial Lecturer of the Philippine Judicial Academy, and a member of the Philippine National Group of Judges of the Permanent Court of Arbitration at the Hague, Netherlands since August 18, 2017 for a term of seven years. Justice Vitug (ret.) was formerly an Associate Justice of the Supreme Court, Chairman of the House of Representatives Electoral Tribunal, and Senior Member of the Senate Electoral Tribunal. He was also the Chairman of the Philippines Stock Exchange, Inc. He graduated cum laude from the Manuel L. Quezon University with a Bachelor's Degree in Law. He holds a Master of Laws degree from the same university and a Master's Degree in National Security Administration from the National Defense College of the Philippines. He was a Fellow of the Commonwealth Judicial Institute of Canada. He also holds an Honorary Doctorate Degree of Law from the Angeles University Foundation. He is not connected, either as an officer or as an employee, to a government agency or instrumentality.
MANUEL R. SALAK III Independent Director Chairman – Board Related Party Transactions Committee Member – Board Corporate Governance Committee – Board Audit Committee – Board Risk and Reputation Management Committee	Mr. Manuel R. Salak III, 59 years old, Filipino, was elected as an independent director of AEV on May 21, 2018. On the same date, he was appointed as Chairman of the Board Related Party Transactions Committee, and member of the Board Corporate Governance Committee, Board Audit Committee, and Board Risk and Reputation Management Committee. Mr. Salak is currently the Senior Strategic Advisor of ING Bank N.V. Philippines, the Founder and Managing Principal of Alpha Primus Advisors, an independent director at Maxicare Philippines, and a member of the Board of Trustees of the Asian Institute of Management. Mr. Salak previously served as the Managing Director, Head of Clients Coverage and Corporate Finance – Asia of ING Bank N.V. from 2008 to 2017, Managing Director and Country Head Philippines of ING Bank N.V. from 1999 to July 2008, and Managing Director and Head of Corporate & Investment Banking of ING Barings Philippines from 1999 to 2000. Mr. Salak earned his Bachelor of Science Degree in Economics (Honorable Mention) from the Ateneo de Manila University and completed his Master's degree in Business Management from the Asian Institute of Management (AAA Awardee). He also completed several executive and management courses, including the Senior Executive Management Course and ING Business Manager Program from the ING Business School, Hamskerk, Netherlands, the *Institut Européen d'Administration des Affaires* (INSEAD) Leadership Development Workshop in Singapore, and the Advanced Management Program from Harvard Business School in Boston U.S.A. He is not a director of any other publicly-listed company. He is not connected with any government agency or instrumentality.

Nominations for Independent Directors and Procedure for Nomination

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

Nominations for independent directors were opened beginning January 1, 2019 and the table for nominations was closed on February 15, 2019, in accordance with Section C(1) of the Amended Guidelines.

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

In approving the nominations for independent directors, the Board Corporate Governance Committee considered the guidelines on the nominations of independent directors prescribed in SRC Rule 38, the Amended Guidelines and AEV's Revised Manual on Corporate Governance (the "Revised Manual"). The Revised Manual was approved by the AEV board on July 24, 2014, March 23, 2017, and further amended on November 23, 2018. All amendments to the Revised Manual were timely disclosed to all stockholders. With the approval of the Revised Manual in 2014, the Board Corporate Governance Committee took over the functions of the Board Nominations and Compensation Committee. In 2018, Mr. Jon Ramon Aboitiz was the Chairman of the Board Corporate Governance Committee, until his untimely demise in November 2018. Mr. Raphael P.M. Lotilla, Lead Independent Director, replaced Mr. Aboitiz as the Chairman of the Board Corporate Governance Committee. The other voting members of the committee are Messrs. Mikel A. Aboitiz, Enrique M. Aboitiz, Manuel R. Salak III, and Justice Jose C. Vitug (ret.), while the *ex-officio* non-voting members are Mr. Manuel Alberto R. Colayco, and Ms. Susan V. Valdez.

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

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

AEV stockholders, Ms. Viva Torre, Ms. Gina Unabia, and Ms. Jesusa Z. Nuñez, have nominated Justice Jose C. Vitug (ret.), Mr. Manuel R. Salak III, and Mr. Raphael P.M. Lotilla, respectively, as the Company's independent directors. None of the nominating stockholders have any relation to the respective independent director they are nominating.

Other Nominees for Election as Members of the Board of Directors

As the Board Corporate Governance Committee conveyed to the Corporate Secretary on February 18, 2019, the following were also nominated and qualified as candidates to the AEV Board of Directors for the ensuing year 2019-2020:

Enrique M. Aboitiz
Mikel A. Aboitiz
Erramon I. Aboitiz
Sabin M. Aboitiz
Ana Maria A. Delgado
Edwin R. Bautista

Pursuant to Paragraph 4, Section 1, Article II of the Amended By-Laws of AEV, nominations for members of the Board other than Independent Directors for the ensuing year must be submitted in writing to the Corporate Secretary at least 15 working days prior to the Annual Stockholders' Meeting on April 22, 2019 or not later than March 27, 2019.

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

Officers for 2018–2019

Below is a list of AEV officers for 2018–2019 with their corresponding positions and offices held for the past five years. Unless otherwise indicated hereunder, the officers assumed their positions during AEV's organizational meeting in 2018 for a term of one year.

ENRIQUE M. ABOITIZ Chairman – Board of Directors Chairman – Board Risk and Reputation Management Committee Member – Board Corporate Governance Committee – Board Audit Committee – Board Executive Committee	Mr. Enrique M. Aboitiz, 65 years old, Filipino, was appointed Chairman of the Board of Directors on December 11, 2018. He has served as a director of AEV since May 9, 1994, and has been Chairman of the Board Risk and Reputation Management Committee since February 11, 2009, member of the Board Audit and Board Corporate Governance Committees since December 11, 2018, and of the Board Executive Committee since May 21, 2018. He is also the Vice Chairman of the Board of Directors of AboitizPower, a publicly-listed company, since December 11, 2018, and Vice Chairman of ACO. Mr. Aboitiz graduated with a Bachelor of Science degree in Business Administration, Major in Economics, from Gonzaga University, Spokane, Washington, U.S.A. He is not connected with any government agency or instrumentality.
MIKEL A. ABOITIZ Vice Chairman – Board of Directors Member – Board Corporate Governance Committee – Board Audit Committee – Board Risk and Reputation Management Committee – Board Executive Committtee	Mr. Mikel A. Aboitiz, 64 years old, Filipino, was appointed Vice Chairman of the Board of Directors on December 11, 2018. He has served as a director of AEV since May 15, 2017 and was formerly Senior Vice President of AEV from 2004 to 2015. He is currently a member of AEV's Board Audit Committee and Board Corporate Governance Committee, positions which he held since May 2017. He is also a member of the Board Executive Committee since May 21, 2018 and of the Board Risk and Reputation Management Committee since December 11, 2018. He has been director of AboitizPower, a publicly-listed company, since February 13, 1998, and was appointed as its Chairman of the Board of Directors on September 1, 2018. He was formerly Vice Chairman of the Board of CitySavings from 2015 to 2016 and President and CEO from 2001 to 2014. He is currently a Chairman of ACO and a trustee and Vice Chairman of RAFI. He holds a degree in Bachelor of Science, Major in Business Administration, from Gonzaga University, Spokane, Washington, U.S.A. He is not connected with any government agency or instrumentality.

ERRAMON I. ABOITIZ Director President & Chief Executive Officer Chairman – Board Executive Committee Member – Board Risk and Reputation Management Committee	Mr. Erramon I. Aboitiz, 62 years old, Filipino, has served as President & Chief Executive Officer of AEV since January 5, 2009. He has been a director of AEV since May 9, 1994 and a member of the Board Risk and Reputation Management Committee since May 18, 2015, and Chairman of the Board Executive Committee since May 21, 2018. Mr. Aboitiz was the Executive Vice President and Chief Operating Officer of AEV from 1994 to December 2008. Mr. Aboitiz is the President and Chief Executive Officer of AboitizPower, a publicly-listed company. Mr. Aboitiz is also President and Chief Executive Officer of ACO; Chairman of the Board of Directors of the following companies: Aboitiz InfraCapital, AboitizLand, San Fernando Electric Light & Power Co., Inc., the SN Aboitiz Power Group, Therma Power, Inc., CRH Aboitiz, and Aboitiz Renewables, Inc. He is Vice Chairman of RCBM, and UnionBank, a publicly-listed company. He is also Chairman of UnionBank's Executive Committee and Nomination Committee. Lastly, he is Chairman of the Board of Trustees of Aboitiz Foundation, and is a director of the Philippine Disaster Recovery Foundation. Mr. Aboitiz was awarded the Management Association of the Philippines Management Man of the Year and Ernst & Young's Entrepreneur of the Year both in 2011. Mr. Aboitiz earned a Bachelor of Science degree in Business Administration, Major in Accounting and Finance, from Gonzaga University, Spokane, Washington, U.S.A. He was also conferred an Honorary Doctorate Degree in Management by the Asian Institute of Management. He is not connected with any government agency or instrumentality.
SABIN M. ABOITIZ Director Executive Vice President and Chief Operating Officer Member – Board Risk and Reputation Management Committee – Board Executive Committee	Mr. Sabin M. Aboitiz, 54 years old, Filipino, was elected director of AEV in May 21, 2018 and has been the Company's Executive Vice President and Chief Operating Officer since December 18, 2015. He was First Vice President of AEV from May 2014 to May 2015 and Senior Vice President from May to December 2015. Mr. Aboitiz is the Chairman of WeatherPhilippines and Filagri, Inc., and Vice Chairman of AboitizLand. He concurrently serves as Chairman and President of AEV Aviation, Inc.; Director and President & CEO of Pilmico Animal Nutrition Corporation, Pilmico Foods Corporation, and Aboitiz InfraCapital; Director and President of AEV CRH Holdings, Inc.; Director of UnionBank, a publicly-listed company, ACO, RCBM, CRH Aboitiz, Apo Agua Infrastructura, Inc., PETNET, Inc., Aboitiz Construction International, Inc., Aboitiz Construction, Inc., Metaphil, Inc., Neptune Hydro, Inc., Republic Cement Services, Inc., and Gold Coin Management Holdings, Ltd.; Alternate Director of AboitizPower International Pte. Ltd. and AEV International Pte. Ltd.; and Trustee of Aboitiz Foundation. He holds a degree in Business Administration - Finance from Gonzaga University, Spokane, U.S.A. He is not connected with any government agency or instrumentality.

MANUEL R. LOZANO Senior Vice President/ Chief Financial Officer/ Corporate Information Officer *Ex-officio* Member – Board Risk and Reputation Management Committee	Mr. Manuel R. Lozano, 48 years old, Filipino, has been Senior Vice President/Chief Financial Officer/Chief Information Officer of AEV since May 18, 2015. He is also an *Ex-officio* Member of the Board Risk and Reputation Management Committee since May 18, 2015. Mr. Lozano is currently Senior Vice President - Finance of ACO, and treasurer of Aboitiz Construction, Inc. (ACI); trustee and treasurer of Aboitiz Foundation; Chief Financial Officer and treasurer of Apo Agua; Chairman of the Board and Chief Executive Officer of Lima Water Corporation; Director, treasurer/Chief Financial Officer of Aboitiz InfraCapital; director and Vice President of AEV Aviation; director and treasurer of AEV CRH, CFO/treasurer of Archipelago Insurance; Director of PANC, Pilmico, RCBM, UnionBank, a publicly-listed company; and alternate director of AEV International, Pilmico International Pte. Ltd. (Pilmico International) and AboitizPower International. Mr. Lozano was First Vice President and Chief Financial Officer/Corporate Information Officer of AboitizPower, a publicly-listed company, from 2014 to 2015; and was First Vice President - Chief Financial Officer of AboitizPower Generation from 2008 to 2013. Before joining the Aboitiz Group, he was the Chief Financial Officer and a director of Paxys, Inc., a publicly-listed company, focused on the business process outsourcing industry and other IT-related sectors within the Asia Pacific region. He was also a director of Corporate Finance & Investment at NGL Pacific Ltd., a Regional Operating Headquarter related to the Usaha Tegas group of Malaysia. He also held various positions in financial institutions including Jardine Fleming & CLSA. He earned his Bachelor of Science in Business Administration degree from the University of the Philippines - Diliman and his Master's Degree in Business Administration from The Wharton School of the University of Pennsylvania, U.S.A. He is not connected with any government agency or instrumentality.
GABRIEL T. MAÑALAC Senior Vice President and Group Treasurer	Mr. Gabriel T. Mañalac, 62 years old, Filipino, currently serves as Senior Vice President and Group Treasurer of AEV since January 5, 2009. He joined AEV as Vice President for Treasury Services in 1998 and was promoted to First Vice President for Treasury Services in 2004. He is also Senior Vice President and Group Treasurer of AboitizPower, a publicly-listed company, since May 17, 2010. He is also Vice President and Treasurer of Davao Light, and Treasurer of Cotabato Light. Mr. Mañalac graduated cum laude with a Bachelor of Science in Finance degree and a Bachelor of Arts in Economics degree from De La Salle University. He obtained his Master's Degree in Business Administration in Banking and Finance from the Asian Institute of Management and was awarded the Institute's Scholarship for Merit. He is not connected with any government agency or instrumentality. He is not a director of any publicly-listed company.

SUSAN V. VALDEZ[9] Senior Vice President and Chief Human Resources Officer *Ex-officio* Member – Board Corporate Governance Committee	Ms. Susan V. Valdez, 58 years old, Filipino, is the Senior Vice President and Chief Human Resources Officer of AEV effective January 1, 2019. She held various executive positions at AEV for the past seven years; namely, Senior Vice President and Chief Corporate Services Officer, Chief Reputation and Risk Management Officer and Chief Reputation Officer. Ms. Valdez is the Senior Vice President and Chief Reputation and Risk Management Officer of AboitizPower, a publicly-listed company. She is an *ex-officio* member of AEV Board Corporate Governance Committee since January 1, 2019 and AboitizPower Board Risk & Reputation Committee since May 21, 2012. She is currently President and Trustee of Aboitiz Foundation and WeatherPhilippines. Before joining AEV in September, 2011, she held various executive positions for 15 years in Aboitiz Transport Systems Corporation (ATSC) (now 2GO Group, Inc., a publicly-listed company), as Chief Finance Officer, Chief Information Officer, and Chief Operating Officer of its freight and supply chain business units. Ms. Valdez is a Certified Public Accountant, and graduated cum laude from St. Theresa's College with a degree of Bachelor of Science in Commerce, Major in Accounting. She earned her Master's degree in Business Management from the University of the Philippines, and completed a program on Management Development at Harvard Business School. She is not connected with any government agency or instrumentality. She is not a director of any publicly-listed company.
ROBERT McGREGOR Executive Director – Chief Investments Officer	Mr. Robert McGregor, 59 years old, British, is Executive Director – Chief Investments Officer of AEV since October 3, 2018. He is concurrently Executive Director – Chief Investments Officer of AboitizPower, a publicly-listed company, since June 1, 2018. He joined AEV as Senior Vice President - Chief Strategy Officer in May 2014 before his appointment as Executive Director – Chief Investments Officer in 2018. Mr. McGregor brings with him a wealth of experience in management, investment banking and private equity investing with almost 39 years of experience in energy markets. He has extensive experience in corporate strategy, marketing and business planning in oil, gas, and electricity industries in the United Kingdom. He moved to Hong Kong in 1997 and enjoyed an 11-year career in regional investment banking, before moving to Singapore to take up partnership in Actis, an emerging-market private equity company. In 2012, he returned to Hong Kong with Hongkong and Shanghai Banking Corporation Limited as an investment banker. Mr. McGregor completed his Honours Degree in Applied Chemistry from The University of Strathclyde, United Kingdom and obtained his Master's Degree in Business Administration from the same university. He is not connected with any government agency or instrumentality. He is not a director of any publicly-listed company.

9 Effective January 1, 2019, Ms. Susan V. Valdez, Senior Vice President and Chief Corporate Services Officer, replaced Mr. Xavier Jose Aboitiz as the Company's Chief Human Resources Officer.

LUIS MIGUEL O. ABOITIZ Senior Vice President	Mr. Luis Miguel O. Aboitiz, 54 years old, Filipino, is appointed Senior Vice President of AEV, a position which he held since May 18, 2015. He joined AEV in 1995 as Vice President and was appointed First Vice President from 2004 to May 2015. Since January 2016, he has served as Executive Vice President and Chief Operating Officer - Corporate Business Group of AboitizPower, a publicly-listed company, until his appointment as AboitizPower's director on September 1, 2018 and Chief Strategy Officer on May 21, 2018. Mr. Aboitiz previously served as AboitizPower's Senior Vice President - Power Marketing and Trading from 2009 to 2015. Mr. Aboitiz is concurrently a director of AboitizPower. He is also a director and First Vice President of ACO, and Trustee of Aboitiz Foundation. He also serves as director and president of MORE; and Director of Abovant Holdings, Inc. (Abovant), ARI, TPI, Pilmico, Pilmico Animal Nutrition Corporation (PANC), Therma South, Inc. (TSI), Therma Luzon, Inc. (TLI), Aboitiz InfraCapital, San Carlos Sun Power Inc. (Sacasun), Cebu Energy Development Corporation (Cebu Energy), Southern Philippines Power Corporation (SPPC), Western Mindanao Power Corporation (WMPC), and Unionbank, a publicly-listed company. He is also Chairman of UnionBank's Technology Steering Committee, member of the Audit Committee and Operations Risk Management Committee, and alternate member of the Executive Committee. He holds a management position in GNPower Mariveles Coal Plant Ltd. Co. (GMCP) and its holding company. Mr. Aboitiz is also a member of the Board of Trustees of the Philippine Independent Power Producers Association, Inc. (PIPPA). Mr. Aboitiz graduated from Santa Clara University, California, U.S.A. with a degree of Bachelor of Science in Computer Science and Engineering, and earned his Master's degree in Business Administration from the University of California in Berkeley, U.S.A. He is not connected with any government agency or instrumentality.
JOJO S. GUINGAO Senior Vice President and Chief Digital Officer	Mr. Jojo S. Guingao, 53 years old, Filipino, was appointed Senior Vice President and Chief Digital Officer of AEV on October 1, 2018. He joined AEV as First Vice President for Digital Management on July 18, 2016. Mr. Guingao has experience in software development, IT consulting and strategy, enterprise implementation, project management, and professional services. He has over 20 years of experience working for software companies in the Silicon Valley building global technology services organization. Before joining AEV, Mr. Guingao was Vice President of Customer Success at Navagis Inc., a Google Cloud Partner in San Francisco, CA. He also held senior management positions in various global software companies including Critigen LLC, Environmental Systems Research Institute, and Autodesk Inc. Mr. Guingao graduated from Mapua Institute of Technology with a Bachelor's Degree in Electronics and Communications Engineering. He completed his Master's Degree in Business Administration from the California State University-East Bay. He is not connected with any government agency or instrumentality. He is also not a director of any publicly-listed company.

DAVID JUDE L. STA. ANA Senior Vice President and Chief External Affairs Officer *Ex-officio* Member – Board Risk and Reputation Management Committee	Mr. David Jude L. Sta. Ana, 51 years old, Filipino, was appointed Senior Vice President and Chief External Affairs Officer last October 1, 2018. Prior to his appointment, he was First Vice President for Government Relations since September 1, 2016. Mr. Sta. Ana brings to the Group his experience in broadcast, digital, and print media, with focus on major news coverage, crisis management, planning, and operations. Prior to joining AEV, he was the Head for News Operations of TV5 Network, Inc. where he handled the day to day operations of the Philippines' third largest television network, including news gathering and content generation for its television, radio and digital platforms. Mr. Sta. Ana also served as news director handling the control, operational and administrative responsibilities for news gathering for two of the country's major broadcast organizations, namely ABS-CBN Broadcasting Corporation and GMA Network, Inc., both publicly-listed companies. Mr. Sta Ana earned his Bachelor's Degree in Journalism from the University of the Philippines - Diliman. He also completed the Newsroom Operation and Newsroom Management Training conducted by the U.S. Radio and Television News Directors Association in Los Angeles, California, U.S.A. He is not connected with any government agency or instrumentality. He is also not a director of any publicly-listed company.
CHRISTOPHER P. BESHOURI Executive Director – Chief Strategy Officer	Mr. Christopher P. Beshouri, 55 years old, American, was appointed Executive Director – Chief Strategy Officer last October 3, 2018. He brings to the Group his experience in corporate strategy, business planning, strategic partnership and investments, and performance management. He has almost three decades of experience in banking, energy, telecommunications, retail, and business process outsourcing across multiple jurisdictions in Asia. Before joining AEV, Mr. Beshouri headed the VICSAL Development Corporation from 2013 to 2018, and was independent director of GT Capital Holdings, Inc. from 2013 to 2017, both publicly-listed companies. He also held various top management positions at McKinsey and Company as president and Chief Executive Officer for Philippines from 2005 to 2013, Chief of Staff for Asia from 2004 to 2005, and Associate Principal from 1997 to 2004. He also served in the United States Treasury as a Senior Financial Economist and Director from 1989 to 1997, focusing on financial markets and banking regulations, and he also taught financial markets and banking at Georgetown University. Mr. Beshouri earned his Bachelor of Arts degree (Dual Major in Economics and Public Policy) from the Michigan State University and his Master's degree in Public Affairs from Princeton University. He is not connected with any government agency or instrumentality. He is not a director of any publicly-listed company.

RICARDO F. LACSON, JR.[10] Data Privacy Officer	Mr. Ricardo F. Lacson, Jr., 56 years old, Filipino, was appointed as the Data Privacy Officer of AEV effective February 1, 2019. He was Vice President for Strategy of AEV since June 2014. Prior to joining AEV, he was the Vice President for Administration and Customer Services at the Visayan Electric Company, Inc., from August 2009 to May 2014. Before joining the Aboitiz Group, Mr. Lacson held several senior management positions including Director at ZMG Ward Howell, Country Manager of SAP SuccessFactors, President of Motorola Communications Philippines, Inc., Vice President of Software Ventures International, Corp. and General Manager of Systematics Technology Services, Inc. (now Metrobank Technology, Inc.). He began his career in the field of IT, handling large corporate accounts as well as being the airlines specialist for IBM Philippines, Inc. He taught at the Ateneo de Manila University from 1984-1994. Mr. Lacson earned his Bachelor of Science Degree in Management Engineering from the Ateneo de Manila University, graduating Magna Cum Laude and receiving the Departmental Award. He also completed the Advance Bank Management Program of the Asian Institute of Management and the Leading Innovative Change Program of the University of California, Berkeley. He is not connected with any government agency or instrumentality. He is not a director of any publicly-listed company.
ANNACEL A. NATIVIDAD Chief Risk Officer *Ex-officio* Member – Board Risk and Reputation Management Committee	Ms. Annacel A. Natividad, 49 years old, Filipino, has been First Vice President and Chief Risk Officer of AEV since July 1, 2016. She was Vice President - Risk Management of AEV since July 2013. She is currently handling the following functions: Risk Management, Insurance Management, Information Security, Enterprise Compliance and Physical Assets Security. Ms. Natividad first joined the Aboitiz Group as Vice President – Chief Finance Officer and Risk Management Head of ATS Consolidated (ATSC), Inc. (now 2GO Group, Inc., a publicly-listed company). She was also the Chief Finance Officer of various companies such as Scanasia Overseas, Inc., Kerry-ATS Logistics, Inc., Hapag- Lloyd Philippines, Inc., Aboitiz Project TS Corporation and Sea Merchants, Inc. Ms. Natividad holds a Bachelor of Science in Commerce degree from the University of Santo Tomas and earned her Master's degree in Business Administration from De La Salle University. Ms. Natividad also completed the Management Acceleration Program from INSEAD. Ms. Natividad is a Certified Public Accountant and Certified Governance, Risk and Compliance Professional. She is not connected with any government agency or instrumentality. She is not a director of any publicly-listed company.

10 Mr. Ricardo F. Lacson replaced Mr. Horacio C. Elicano as the Company's Data Privacy Officer effective February 1, 2019.

MARIA LOURDES Y. TANATE Group Internal Audit Head	Ms. Maria Lourdes Y. Tanate, 53 years old, Filipino, has been Vice President and Group Internal Audit Head since January 2016. She joined AEV in November 2011. Prior to joining AEV, Ms. Tanate was Chief Audit Executive of ATS Consolidated (ATSC), Inc. (now 2GO Group, Inc., a publicly-listed company). She also served as Assistant Vice President for Finance and Senior Manager of ATS. She has extensive experience in internal audit, financial and investment analysis and corporate finance, with focus on budgeting, financial planning and control. She graduated cum laude with a degree of Bachelor of Arts in Economics from the University of the Philippines (Diliman) and subsequently obtained her Masters in Business Administration from the same school. She earned her Masters in Engineering and Technology Management from the University of Queensland, Australia. She is not connected with any government agency or instrumentality. She is not a director of any publicly-listed company.
MANUEL ALBERTO R. COLAYCO Chief Legal Officer/Corporate Secretary/Chief Compliance Officer *Ex-officio* Member - Board Corporate Governance Committee	Mr. Manuel Alberto R. Colayco, 49 years old, Filipino, was appointed as AEV's Corporate Secretary and Chief Compliance Officer on March 1, 2018. He is concurrently the First Vice President and Chief Legal Officer of AEV since July 11, 2016, and Corporate Secretary of AboitizPower, a publicly-listed company, since March 1, 2018. Mr. Colayco has practiced in the areas of corporate law, mergers and acquisitions, joint ventures, securities regulation, corporate and financial restructuring, and litigation. Prior to joining the Aboitiz Group, Mr. Colayco acted as an independent legal consultant providing professional advice, representation, and transactional assistance to private companies and individuals. His previous work experience includes: General Counsel for AGP International Holdings Ltd. and Atlantic, Gulf & Pacific Company of Manila, Inc. from August 2013 to December 2014; Executive Director and Assistant General Counsel of J.P. Morgan Chase Bank N.A. from July 2010 to August 2013; and Vice President and Legal Counsel of DKR Oasis (Hong Kong) LLC, a private investment management firm, from August 2007 until March 2010. He was an Associate at Skadden, Arps, Slate, Meagher & Flom, LLP from 2000 to 2007, and at Romulo Mabanta Buenaventura Sayoc & De Los Angeles from 1996 to 2000. Mr. Colayco earned his undergraduate and Juris Doctor degrees from the Ateneo de Manila University. He also has a Master of Laws degree from the New York University School of Law, U.S.A. He is not connected with any government agency or instrumentality. He is also not a director of any publicly-listed company.

MAILENE M. DE LA TORRE Assistant Corporate Secretary	Ms. Mailene M. de la Torre, 37 years old, Filipino, was appointed Assistant Corporate Secretary last November 24, 2016 and Assistant Vice President - Governance and Compliance of AEV effective January 1, 2018. She was previously Senior Associate General Counsel for Governance and Compliance of AEV since November 2016, and was Associate General Counsel for Legal and Corporate Services from May 2010 to October 2014. Ms. de la Torre is also the Corporate Secretary of various Subsidiaries of the Aboitiz Group. She is concurrently Assistant Corporate Secretary of AboitizPower, a publicly-listed company, since her appointment last November 24, 2016. Ms. de la Torre has practice in the areas of corporate structuring, acquisitions, joint ventures, compliance and corporate governance, corporate law, securities law, and litigation. Prior to joining the Aboitiz Group, she was an Associate at Esguerra & Blanco Law Office from 2007 to 2010. She graduated cum laude with a Bachelor of Arts Degree in Political Science from the University of the Philippines Diliman and earned her Bachelor of Laws degree from the same university. She is a graduate member of the Institute of Corporate Directors, after completing the Professional Director's Program. She is a member of good standing in the Integrated Bar of the Philippines. She is not connected with any government agency or instrumentality. She is not a director of a publicly-listed company.
JOANNE L. RANADA Assistant Corporate Secretary	Ms. Joanne L. Ranada, 40 years old, Filipino, was appointed as Assistant Corporate Secretary of AEV on October 3, 2018. She is concurrently Senior Associate General Counsel for the Governance and Compliance Team and Assistant Corporate Secretary of AboitizPower, a publicly-listed company. Ms. Ranada also serves as Corporate Secretary of the SN Aboitiz Power Group and Assistant Corporate Secretary of ARI, Hedcor Bukidnon, Hedcor Sabangan, Hedcor Sibulan, Hedcor Tudaya, Hedcor, MORE, TSI, and TVI. Ms. Ranada has over a decade of practice in the areas of regulatory compliance, corporate law, foreign investments, capital markets, securities, and corporate governance. Prior to joining the Aboitiz Group, she was the Legal Manager - Corporate Secretarial and Corporate Maintenance Services at Quisumbing Torres law firm from November 2015 to August 2018, and as Senior Corporate Lawyer at GWI Business Solutions, Inc. from November 2014 to October 2015. She was also Chief Counsel at the Securities and Exchange Commission (SEC) from January 2006 to October 2014. While with the SEC, Ms. Ranada was a representative to the International Finance Corporation Accreditation Workshop conducted by the International Finance Corporation, the Asia Regional Funds Passport conducted by the Australian Department of Foreign Affairs, and the Credit Information Systems Training conducted by the Credit Information Corp. and the US Federal Trade Commission. Ms. Ranada earned her Bachelor's Degree in International Studies from the College of the Holy Spirit and her Bachelor of Laws degree from Philippine Law School. She has also completed the Trust Operations and Investment Management course conducted by the Trust Institute Foundation of the Philippines, and the Corporate Governance Training conducted by the New York Institute of Finance. She is not connected with any government agency or instrumentality. She is also not a director of any publicly-listed company.

Period in which the Directors Should Serve

The directors shall serve for a period of one year.

Term of Office of a Director

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

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

(2) Significant Employees

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

(3) Family Relationships

Messrs. Erramon, Enrique, and Sabin Aboitiz, are brothers. Mr. Mikel A. Aboitiz is the uncle of Ms. Ana Maria A. Delgado. Other than these, no other officers or directors are related within the fourth degree of consanguinity.

(4) Involvement in Certain Legal Proceedings as of February 28, 2019

To the knowledge and/or information of AEV, none of its nominees for election as directors, its current members of the Board or its executive officers is presently involved in any legal proceeding or bankruptcy petition or has been convicted by final judgment, or being subject to any order, judgment or decree, or has violated the securities or commodities law in any court or government agency in the Philippines or elsewhere for the past five years until February 28, 2019, which would put to question his/her ability and integrity to serve AEV and its stockholders.

(5) Certain Relationships and Related Transactions

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

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

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

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

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

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

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

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

The above related-party transactions are discussed extensively in Note 34 of the Company's 2018 consolidated financial statements.

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

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

(6) Parent Company

AEV's parent company is Aboitiz & Company, Inc. (ACO). As of February 28, 2019, ACO owns 48.57% of the voting shares of AEV.

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

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

Item 6. Compensation of Directors and Executive Officers

(a) Summary of Compensation of Executive Officers

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

Name of Officer and Principal Position	Year	Salary	Bonus	Other Compensation
CHIEF EXECUTIVE OFFICER AND FOUR MOST HIGHLY COMPENSATED OFFICERS **1. ERRAMON I. ABOITIZ** President and Chief Executive Officer **2. XAVIER JOSE ABOITIZ** Senior Vice President and Chief Human Resources Officer ** **3. ROBERT MCGREGOR** Executive Director - Chief Investments Officer **4. LUIS MIGUEL O. ABOITIZ** Senior Vice President **5. SUSAN V. VALDEZ** Senior Vice President and Chief Human Resources Officer				
All above named officers as a group	**Actual 2018**	**₱151,310,578.00**	**₱15,910,000.00**	**₱14,200,726.00**
	Actual 2017	₱136,623,646.00	₱13,336,441.00	₱12,340,509.00
	Projected 2019	**₱166,441,636.00**	**₱17,501,000.00**	**₱15,620,799.00**
All other directors and officers as a group unnamed	**Actual 2018**	**₱132,493,978.00**	**₱16,090,252.00**	**₱46,311,988.00**
	Actual 2017	₱127,927,219.00	₱16,520,604.00	₱51,474,185.00
	Projected 2019	**₱145,743,376.00**	**₱17,699,277.00**	**₱50,943,187.00**

*** Effective January 1, 2019, Ms. Susan V. Valdez, Senior Vice President and Chief Corporate Services Officer, replaced Mr. Xavier Jose Aboitiz as the Company's Chief Human Resources Officer.*

The Amended By-Laws of the Company as approved by the Securities and Exhange Commission on May 23, 2018 defined corporate officers as follows: the Chairman of the Board; the Vice Chairman; the Chief Executive Officer; Chief Operating Officer; the Treasurer, the Corporate Secretary; the Assistant Corporate Secretary; and such other officers as may be appointed by the Board of Directors. For the year 2018, the Company's Summary of Executive Compensation covers the compensation of officers as reported under Item 5 (a)(1) of this Information Statement.

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

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

(b) Compensation of Directors

(1) Standard Arrangements

Following the May 18, 2015 stockholders' meeting, the directors receive a monthly allowance of ₱120,000.00 while the Chairman of the Board receives a monthly allowance of ₱180,000.00. In addition, each director/member and the Chairmen of the Board and the Board Committees receive a per diem for every Board or Board Committee meeting attended as follows:

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

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

During its February 18, 2019 meeting, the Board Corporate Governance Committee, which performs the function of the Nomination and Compensation Committee, proposed to increase the directors' monthly allowance from ₱180,000.00 to ₱200,000.00 for the Chairman of the Board, and from ₱120,000.00 to ₱150,000.00 for other directors. The committee also proposed to increase the per diem for every meeting attended as follows:

Type of Meeting	Directors	Chairman of the Board
Board Meeting	₱150,000.00	₱200,000.00

Type of Meeting	Committee Members	Chairman of the Committee
Board Committee Meeting	₱100,000.00	₱130,000.00

During its March 7, 2019 meeting, the Board of Directors approved the proposed increase in the monthly allowance and per diem, and resolved to endorse the same for the stockholders' approval.

A resolution approving the proposed increase in monthly allowance and per diem will be presented to the stockholders for approval at the 2019 Annual Stockholders Meeting.

(2) Other Arrangements

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

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

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

(d) Warrants and Options Outstanding

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

Item 7. Independent Public Accountant

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

During the March 7, 2019 board meeting, the Chairman of the Committee, Justice Jose C. Vitug (ret.), reported to the Board that the Committee evaluated and assessed the performance for the previous year of the Company's external auditor, SyCip Gorres Velayo & Co. (SGV). Based on the results of its evaluation, the Committee advised the Board of Directors that it is satisfied with SGV's performance for the previous year and recommended SGV's re-appointment as the Company's external auditor for 2019.

The Board of Director discussed the Committee's recommendation, and after discussion, approved the re-appointment of SGV. The Board of Directors will endorse to the sharholders the re-appointment of SGV as the Company's external auditor for 2019.

The accounting firm of SGV has been AEV's Independent Public Accountant for the last 25 years. Ms. Maria Veronica Andresa R. Pore is AEV's current audit partner, and has served as such starting 2017. AEV complies with the requirements of Section 3(b) (ix) of SRC Rule 68 on the rotation of external auditors or signing partners and the two-year cooling-off period. There was no event in the past 25 years where AEV and SGV or the handling partner had any disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosure or auditing scope or procedure.

Representatives of SGV will be present during the 2019 Annual Stockholders' Meeting and will be given the opportunity to make a statement if they so desire. They are also expected to respond to appropriate questions if needed.

The Chairman of the Audit Committee is Justice Jose C. Vitug (ret.), an independent director. The members are Messrs. Raphael P.M. Lotilla and Manuel R. Salak III, both independent directors, and Messrs. Enrique M. Aboitiz and Mikel A. Aboitiz, non-executive directors of AEV.

Item 8. Compensation Plans

No action is to be taken during the 2019 Annual Stockholders' Meeting with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

C. ISSUANCE AND EXCHANGE OF SECURITIES

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

No action is to be taken during the 2019 Annual Stockholders' Meeting with respect to authorization or issuance of any securities other than for exchange of outstanding securities.

Recent Issuance of Registered Debt Securities

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

On November 11, 2013, SEC issued an Order of Registration and a Certificate of Permit to Sell Securities for AEV's ₱10 bn-retail bonds (the "2013 Bonds"). The 2013 Bonds received the highest possible rating of PRS "Aaa" from Philippine Rating Services Corporation (PhilRatings). Of the aggregate amount of ₱10 bn, ₱8 bn were subsequently listed with the Philippine Dealing & Exchange Corporation (PDEx) on November 21, 2013.

The 2013 Bonds were issued in two series, seven-year bonds with a fixed interest rate of 4.4125% per annum, and ten-year bonds with a fixed interest rate of 4.6188% per annum. Interest is paid quarterly in arrears every May 21, August 21, November 21, and February 21 of each year for each subsequent interest payment date at which the bonds are outstanding or the subsequent banking day without adjustment if such interest payment date is not a banking day.

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

AEV received the aggregate [net] proceeds of ₱8 bn from the offer and sale of 2013 Bonds. The breakdown of the use of proceeds is set out below:

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

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

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

On July 27, 2015, the SEC issued the Order of Registration and Certificate of Permit to Offer Securities for AEV's fixed-rate retail bonds in the aggregate amount of up to ₱25 bn, inclusive of oversubscription (the "2015 Bonds"). The 2015 Bonds were then offered to the public on July 28, 2015 until July 31, 2015. The first tranche, equivalent to ₱24 bn was issued in 2015 in three series, as follows:

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

The 2015 Bonds were listed with PDEx on August 5, 2015 for secondary market trading. Interest on the 2015 Bonds is paid quarterly in arrears every August 6, November 6, February 6, and May 6 of each year for each subsequent interest payment date at which the bonds are outstanding.

AEV received the aggregate [net] proceeds of ₱24 bn from the offer and sale of 2015 Bonds. The breakdown of the use of proceeds is set out bellow:

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

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

AEV has been paying interest to its bond holders since November 6, 2015.

(c) Thirty Billion Fixed Rate Peso Denominated Retail Bonds

On January 29, 2019, AEV's Board of Directors approved the issuance of a fixed-rate peso-denominated retail bonds in the aggregate amount of up to ₱30 bn, to be registered under the shelf registration program of the SEC (the "2019 Shelf Program").

On March 7, 2019, the Board of Directors approved the issuance of the first tranche of its 2019 Shelf Program equivalent to ₱3 bn and with an oversubscription option of up to ₱2 bn (the "Series A Bonds"). Depending on market conditions, the Series A Bonds issued under the 2019 Shelf Program are expected to be offered to the general public during the first half of 2019 (the "2019 Bonds"). The proceeds from the 2019 Shelf Program will be used to finance planned acquisitions, future investments, and other general corporate requirements.

AEV intends to list the Series A Bonds with the PDEx.

Item 10. Modification or Exchange of Securities

No action is to be taken during the 2019 Annual Stockholders' Meeting with respect to modification of any class of securities of AEV, or the issuance or authorization for issuance of one class of securities in exchange for outstanding securities of another class.

Item 11. Financial and Other Information

No action is to be taken during the 2019 Annual Stockholders' Meeting with respect to any matter specified in Items 9 or 10.

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

No action is to be taken during the 2019 Annual Stockholders' Meeting with respect to any transaction involving: (i) merger or consolidation into or with any other person or of any other person into or with AEV; (ii) acquisition by AEV or any of its security holders of securities of another person; (iii) acquisition of any other going business or of the assets thereof; (iv) sale or other transfer of all or any substantial part of the assets of AEV; or (v) liquidation or dissolution of AEV.

Item 13. Acquisition or Disposition of Property

No action is to be taken during the 2019 Annual Stockholders' Meeting with respect to acquisition or disposition of any property of AEV.

Item 14. Restatement of Accounts

In 2018, an associate company changed its accounting for certain upfront fees on loans and discounts from outright income recognition as services charges, fees, and commissions to amortizing the fees to interest income over the expected life of the loans using the effective interest rate method. The change was made in accordance with Philippine Accounting Standards (PAS) 8, Accounting Policies, Changes in Accounting Estimates and Errors, and was applied retrospectively. Thus, AEV's opening balances of the earliest period presented (January 1, 2017) were restated.

The change in accounting resulted to a decrease in the investments and advances and retained earnings accounts in the consolidated financial statements amounting to ₱312.8 mn as of December 31, 2017/January 1, 2018 and December 31, 2016/January 1, 2017.

The restatement did not result to change in the net income for 2017 and 2016 since the impact is not material. Thus, the amount available for distribution to the holders of equity securities as previously reported in 2017 and 2016 did not change.

D. OTHER MATTERS

Item 15. Action with Respect to Reports

(a) Approval of the Minutes of the 2018 Annual Meeting of Stockholders dated May 21, 2018 (A summary of the Minutes is attached as Annex "C".);
(b) Approval of the 2018 Annual Report of Management and Financial Statements of the Company; and
(c) General ratification of the acts of the Board of Directors, corporate officers, and the management from the date of the last Annual Stockholders' Meeting up to April 22, 2019. These acts are covered by resolutions of the Board duly adopted during the normal course of trade or business of the Company.

Item 16. Matters Not Required to be Submitted

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

Ratification of the acts of the Board of Directors, corporate officers, and management in 2018 up to April 22, 2019 refers only to acts done in the ordinary course of business and operations of AEV, which have been duly disclosed to the SEC, the PSE, and the PDEx as may be required in accordance with the applicable laws. Ratification is being sought in the interest of transparency and as a matter of customary practice or procedure, undertaken at every annual meeting of AEV stockholders.

Below is a summary of board resolutions approved during the period of May 21, 2018 to March 7, 2019:

Regular Board Meeting, May 21, 2018

(a) Transact with Barclays
(b) Open Custodian Accounts with Bank of the Philippine Islands
(c) Borrow and Transact for Short Term Facilities with Various Banks
(d) Renew the Appointment of Authorized Representatives to Attend and Represent the Company during the Annual or Special Stockholders' Meeting of its Investee Companies
(e) Renew the Authority to Enter into Non-Disclosure Agreements, Letters of Instruction, Memoranda of Agreement and Other Preliminary Agreements Involving Potential Acquisitions or Transactions and Appointment of Authorized Representatives
(f) Renew the Authority to Purchase, Sell, or Deal in Any Manner Any of its Motor Vehicles and to Appoint Representatives of the Company
(g) Update List of Officers Authorized to Transact with Philippine Depository & Trust Corporation

(h) Enter into Data Sharing Agreement/s within the Aboitiz Group
(i) Update List of the Company's Authorized Signatories with Maxicare Corporation

Special Board Meeting, July 5, 2018

(a) Participate in a Competitive Auction for the Acquisition of Direct or Indirect Equity Interest in Gold Coin Management Holdings Ltd.
(b) Avail Institutional Products from a Consortium of Banks and Guarantee Availment of Subsidiary

Regular Board Meeting, July 26, 2018

(a) Guarantee Apo Agua Infrastructura, Inc.'s (Apo Agua) Syndicated Loan Agreement with Various Banks
   (i) Secure Apo Agua's Loan with the Pledge of its Shares in Apo Agua;
   (ii) Guarantee Apo Agua's Loan; and
   (iii) Provide the Back-Ended Equity SBLC for Apo Agua for the Construction of its Bulk-water Treatment Facility.
(b) Enter into Data Analytics Consultancy Services with various Business Units
(c) Appoint Authorized Representatives to File Reports with PSE, PDEx, and SEC
(d) Early Cessation of Extended Tenure of Mr. Antonio R. Moraza
(e) Matters Approved by the Board Executive Committee during its Meeting held on June 28, 2018

Special Board Meeting, September 1, 2018

(a) Appoint Mr. Edwin R. Bautista as Director of the Company
(b) Subscribe to the Stock Rights Offer of Union Bank of the Philippines
(c) Infuse Capital into AEV International Pte. Ltd.

Regular Board Meeting, October 3, 2018

(a) Appoint Ms. Joanne L. Ranada as Assistant Corporate Secretary
(b) Update the List of Authorized Representatives to File Reports with the PSE, PDEx, and SEC
(c) Appoint Mr. Christopher P. Beshouri as Executive Director – Chief Strategy Officer
(d) Appoint Mr. Jojo S. Guingao as Senior Vice President and Chief Digital Officer
(e) Appoint Mr. David Jude L. Sta. Ana as Senior Vice President and Chief External Affairs Officer
(f) Reorganization of Corporate Services Units

Regular Board Meeting, November 23, 2018

(a) Update the Signatories for the Company's Accounts Maintained with Various Banks
(b) Infuse Funds into AEV International Pte. Ltd. for the Prepayment of AEV International Pte. Ltd.'s Loan
(c) Renew Authority to Buy-back AEV, UBP, and AboitizPower Shares
(d) Enter into a Security Service Contract with Multimodal Security and Investigation Agency, Inc.
(e) Update Signatories for Contracts involving Information Technology Services
(f) Obtain Permits with the Optical Media Board (OMB) in Relation to the Distribution of Reports for the Annual Stockholders Meeting
(g) Approval of the Revised Manual on Corporate Governance

Special Board Meeting, December 11, 2018

(a) Appoint Ms. Ana Maria A. Delgado as Director of the Company
(b) Appoint Mr. Enrique M. Aboitiz as the Chairman of the Board of Directors
(c) Appoint Mr. Mikel A. Aboitiz as Vice Chairman of the Board of Directors
(d) Appoint Board Committee Members
(e) Appoint New Data Privacy Officer
(f) Infuse Funds into AEV International Pte. Ltd.

Regular Board Meeting, January 29, 2019

(a) Undertake a Retail Bond Offering of up to ₱30 bn under the Shelf Registration Program of the SEC
(b) Borrow and/or Guarantee the Availment of Loan by AEV International Pte. Ltd.
(c) Allow and Guarantee the Availment of the Company's Short-Term Credit Facilities with Various Banks by AEV International Pte. Ltd.
(d) Infuse Funds into Aboitiz Land, Inc.
(e) Ratify Authority of Officer to Purchase a Motor Vehicle on Behalf of the Company

Special Board Meeting, March 7, 2019

(a) Approve the 2018 Audited Financial Statements
(b) Approve the Agenda, Venue, and Record Date of the Stockholders Entitled to Vote for the 2019 Annual Stockholders' Meeting
(c) Appoint Luis Cañete and Company as the Board of Election Inspectors for the 2019 Annual Stockholders' Meeting
(d) Appoint the Proxy Validation Committee Members
(e) Approve the Increase in the Directors' Monthly Allowance and Per Diem for Board and Board Committee Meetings
(f) Endorse SyCip Gorres Velayo & Co. as the Company's External Auditor for 2019
(g) Obtain Permits with the OMB in Relation to the Dsitribution of Reports for the Stockholders Meeting
(h) Declare the Regular Cash Dividend Pursuant to the Disclosed Policy
(i) Avail the Corporate Check Writer Facility of UnionBank for the Company's 2019 Dividend Payments
(j) Incorporate a Holding Company for Social Impact Business
(k) Infuse Funds to Aboitiz InfraCapital, Inc. (Aboitiz InfraCapital)
(l) Guarantee the Availment of Credit Facilities by Aboitiz InfraCapital
(m) Issue First Tranche of Fixed-Rate Peso-Denominated Retail Bonds
(n) Infuse Funds to AEV International Pte. Ltd.
(o) Update Signatories for Corporate Human Resources Contracts/Agreements
(p) Approve the 2019 Budget

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

No action is to be taken during the 2019 Annual Stockholders' Meeting with respect to the amendment of the Company's Charter, By-Laws or other documents.

Item 18. Other Proposed Actions

(a) *Approval of the 2018 Annual Report and Financial Statements.* The proposal is intended to present to the stockholders the results of the Company's operations in 2018, in accordance with Section 74 of the Revised Corporation Code.

The Company's audited financial statements as of December 31, 2018 is integrated and made part of the Company's 2018 Definitive Information Statement (2018 Information Statement). The 2018 Information Statement is distributed to the stockholders at least 15 days prior to the 2019 Annual Stockholders' Meeting, and the same is posted at the Company's website at www.aboitiz.com.

A resolution approving the 2018 Annual Report and Audited Financial Statements shall be presented to the stockholders for approval.

(b) *Appointment of the Company's External Auditor for 2019.* The proposal is intended to appoint an auditing firm which can best provide assurance to the directors and stockholders on the integrity of the Company's financial statements and adequacy of its internal controls. The Board Audit Committee and the Board of Directors will endorse SGV as the external auditor for 2019 for the stockholders to appoint.

The profile of the external auditor is disclosed in the 2018 Preliminary and Definitive Information Statements.

A resolution for the appointment of the Company's external auditor for 2019 shall be presented to the stockholders for approval.

(c) *Ratification of Acts, Resolutions, and Proceedings of the Board of Directors, Corporate Officers, and Management in 2018 up to April 22, 2019.* The proposal is intended to allow the stockholders to ratify the acts of the Board of Directors and Officers of the Company as a matter of procedure or policy.

The resolutions approved by the Board in its regular and special meetings refer only to acts done by the Board of Directors, corporate officers, and management in the ordinary course of business. The board resolutions are enumerated in this 2018 Information Statement. The Company also regularly discloses material transactions approved by the Board. These disclosures are available for viewing and can be downloaded at the Company's website at www.aboitiz.com.

A resolution to ratify the acts, resolutions, and proceedings of the Board of Directors, corporate officers, and management in 2018 up to the date of the 2019 Annual Stockholders' Meeting shall be presented to the stockholders for approval.

Item 19. Voting Procedures

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

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

Regarding the election of members of the Board, nominees who receive the highest number of votes shall be declared elected, pursuant to Section 23 of the Revised Corporation Code.

For other matters submitted to the stockholders for approval a vote by a majority of the shares entitled to vote present or represented during the meeting shall be necessary to approve the proposed actions. There are no proposed actions in the 2019 Annual Stockholders Meeting that requires approval by a higher percentage of votes from the stockholders.

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

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

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

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

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

Other than the nominees' election as director and the proposed increase in the directors' monthly allowance and per diem, no director, executive officer, nominee or associate of the nominees has substantial interest, direct or indirect by security holdings or otherwise, in any way of the matters to be taken up during the meeting. AEV has not received any information that an officer, director or stockholder intends to oppose any action to be taken at the 2019 Annual Stockholders' Meeting.

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

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

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

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

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete, and correct. This report is signed in the City of Taguig on March 25, 2019.

ABOITIZ EQUITY VENTURES INC.
By:

Manuel Alberto R. Colayco
Corporate Secretary

DEFINITION OF TERMS

Aboitiz Foundation	Aboitiz Foundation, Inc.
Aboitiz Group	ACO and the companies or entities in which ACO has beneficial interest and over which ACO, directly or indirectly, exercises management control, including, without limitation, AEV, AboitizPower, AboitizLand, Pilmico, Aboitiz InfraCapital and their respective Subsidiaries and Affiliates
Aboitiz InfraCapital	Aboitiz InfraCapital, Inc. (formerly: AEV Infracapital, Inc.)
AboitizLand	Aboitiz Land, Inc.
AboitizPower	Aboitiz Power Corporation
AboitizPower Group	Aboitiz Power Corporation and its Subsidiaries
AboitizPower International	AboitizPower International Pte. Ltd.
Abovant	Abovant Holdings, Inc.
ACI	Aboitiz Construction, Inc. (formerly Aboitiz Construction Group, Inc.)
ACO	Aboitiz & Company, Inc.
AdventEnergy	Adventenergy, Inc.
AESI	Aboitiz Energy Solutions, Inc.
AEV, the Company, the Issuer or the Registrant	Aboitiz Equity Ventures Inc.
AEV Av	AEV Aviation, Inc. (formerly Davco Holdings, Inc.; Spin Realty Corporation)
AEV CRH	AEV CRH Holdings, Inc.
AEV Group or the Group	AEV and its Subsidiaries
AEV International	AEV International Pte. Ltd.
AFC	American Feeds Company Limited
Affiliate	With respect to any Person, any other Person directly or indirectly Controlled or is under common Control by such Person
Ambuklao-Binga Hydroelectric Power Complex	Refers to SN Aboitiz Power-Benguet's 105-MW Ambuklao Hydroelectric Power Plant located in Bokod, Benguet and 140-MW Binga Hydroelectric Power Plant in Itogon, Benguet
AMLA	Anti-Money Laundering Act
AP Solar	AP Solar Tiwi, Inc.
APA	Asset Purchase Agreement
APAC	APAC Commodities Pte. Ltd.
APDS	Automatic Payroll Deduction System
Apo Agua	Apo Agua Infrastructura, Inc.
APRI	AP Renewables Inc.
APX1	Aboitiz Power Distributed Energy, Inc.
APX2	Aboitiz Power Distributed Renewables, Inc.
Archipelago Insurance	Archipelago Insurance Pte. Ltd.
ARI	Aboitiz Renewables, Inc. (formerly: Philippine Hydropower Corporation)
ARR	Annual Revenue Requirement
AS	Ancillary Services
ASPA	Ancillary Services Procurement Agreement
Associate	Refers to an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies
ATM	Automated Teller Machine
Bakun AC Plant	Refers to the 70-MW Bakun AC run- of-river hydropower plant located in Amilongan, Alilem, Ilocos Sur
BCQ	Bilateral Contract Quantity
BEZ	Balamban Enerzone Corporation
BFF	Bintawa Fishmeal Factory Sdn. Bhd.
BIR	Bureau of Internal Revenue
BOC	Bureau of Customs

BOI	The Philippine Board of Investments
BOT	Build-Operate-Transfer
BPO	Business Process Outsourcing
Brownfield	Refers to power generation projects that are developed on sites which had previous developments
BSP	Bangko Sentral ng Pilipinas
Bunker C	Refers to the thickest residual fuels that is produced by blending any oil remaining at the end of the oil refining process with a lighter oil
Business Unit	A Subsidiary or an Affiliate of AEV
CA	Court of Appeals
CASA	Current Account/Savings Account
CBA	Collective Bargaining Agreement
CBAA	Central Board of Assessment Appeals
CDPEI	Cebu District Property Enterprise, Inc.
Cebu Energy	Cebu Energy Development Corporation
CFL	Comfez Limited
CG Report	Refers to the Company's Corporate Governance Report
CIPDI	Cebu Industrial Park Developers, Inc.
CitySavings or CSB	City Savings Bank, Inc.
Cleanergy	Cleanergy, Inc. (formerly Northern Mini-Hydro Corporation)
Coal Group	Composed of the following Business Units: Therma Luzon, Inc., Therma South, Inc., Therma Visayas, Inc., GNPower Mariveles Coal Plant Ltd. Co., GNPower Dinginin Ltd. Co., Pagbilao Energy Corporation, Redondo Peninsula Energy, Inc., STEAG State Power, Inc., and Cebu Energy Development Corporation, which own and/or operate coal-fired power plants
COC	Certificate of Compliance

Code	Refers to the Company's Code of Ethics and Business Conduct
Contestable Customer	Refers to an electricity end-user who has a choice of a supplier of electricity, as may be determined by the ERC in accordance with Republic Act 9136 or the EPIRA
Contestable Market	Refers to the electricity end-users who have a choice of a supplier of electricity, as may be determined by the ERC in accordance with Sec. 4(h) of the EPIRA
Control	A term which refers to possession, directly or indirectly, by a Person of the power to direct or cause the direction of the management and policies of another Person whether through the ownership of voting securities or otherwise; provided, however, that the direct or indirect ownership of over 50% of the voting capital stock, registered capital or other equity interest of a Person is deemed to constitute control of that Person; "Controlling" and "Controlled" have corresponding meanings
Cotabato Light	Cotabato Light & Power Company
CPDC	Cebu Praedia Development Corporation
CPL	Comfez Pte. Ltd.
CPPC	Cebu Private Power Corporation
CRH Aboitiz	CRH Aboitiz Holdings, Inc.
CSEE	Contract for the Supply of Electric Energy
CTA	Court of Tax Appeals
DAU	Declaration of Actual Use
Davao Light	Davao Light & Power Company, Inc.
DENR	Department of Environment and Natural Resources
DOE	Department of Energy
DOLE	Department of Labor and Employment
DOTr	Department of Transportation

Distribution Companies or Distribution Utilities	Refers to the companies within the AboitizPower Group engaged in Power Distribution, such as BEZ, Cotabato Light, Davao Light, LEZ, Malvez, MEZ, SEZ, SFELAPCO and VECO. "Distribution Company" or "Distribution Utility" may refer to any one of the foregoing companies.
EAUC	East Asia Utilities Corporation
ECC	Environmental Compliance Certificate
Enerzone Companies	A term collectively referring to BEZ, LEZ, Malvez, MEZ and SEZ and other Distribution Utilities of the AboitizPower Group operating within special economic zones
EPC	Engineering, Procurement and Construction
EPIRA	RA 9136, otherwise known as the "Electric Power Industry Reform Act of 2001," as amended from time to time, and including the rules and regulations issued thereunder
EPPA	Electric Power Purchase Agreement
ERC	Energy Regulatory Commission
FEZ	FEZ Animal Nutrition Pte. Ltd.
Filagri	Filagri, Inc.
Filagri Holdings	Filagri Holdings, Inc.
FIT	Feed-in-Tariff
FIT-All	Feed-in-Tariff Allowance
Food Group	A term collectively referring to Pilmico, PANC, Filagri, Pilmico International, Pilmico Vietnam Trading, PVF, and the Gold Coin Group; the Company's Business Units engaged in the food business
GCAFI	Gold Coin Aqua Feed Incorporated
GCDG	Gold Coin Feedmill (Dongguan) Co. Limited
GCFB	Gold Coin Feedmill (Brunei) Sdn. Bhd.
GCFD	Gold Coin Feedmill (Dong Nai) Co. Ltd.
GCFHN	Gold Coin Feedmill Ha Nam Company Limited
GCFL	Gold Coin Feed Mills (Lanka) Ltd.
GCFM	Gold Coin Feedmills (Malaysia) Sdn. Bhd.
GCFS	Gold Coin Feedmill (Sabah) Sdn. Bhd.
GCG	Gold Coin Group Limited
GCGI	Green Core Geothermal Incorporated
GCHSB	Gold Coin Holdings Sdn Bhd
GCI	P.T. Gold Coin Indonesia
GCIH	GC Investment Holdings Limited
GCKM	Gold Coin Feedmill (Kunming) Company Limited
GCMG	Gold Coin Malaysia Group Sdn. Bhd.
GCMH	Gold Coin Management Holdings Limited
GCS	Gold Coin Sarawak Sdn. Bhd.
GCSAB	Gold Coin Sabah Sdn. Bhd.
GCSI	P.T. Gold Coin Specialties
GCSS	Gold Coin Services Singapore Pte Limited
GCSSB	Gold Coin Specialties Sdn. Bhd.
GCST	Gold Coin Specialties (Thailand) Co. Ltd.
GCSZ	Gold Coin Management (Shenzhen) Co. Limited
GCTI	P.T. Gold Coin Trading Indonesia
GCZH	Gold Coin (Zhuhai) Company Limited
GCZJ	Gold Coin (ZhangJiang) Company Limited
GCZZ	Gold Coin (Zhangzhou) Company Limited
Generation Companies	Refers to the companies within the AboitizPower Group engaged in Power Generation; "Generation Companies" may refer to any one of these companies.
GLS	Golden Livestock Sdn. Bhd.
Global Formosa	Global Formosa Power Holdings, Inc.

Global Power	Global Business Power Corporation of the Metrobank Group
GMCP	GNPower Mariveles Coal Plant Ltd. Co.
GNPD	GNPower Dinginin Ltd. Co.
Gold Coin Group	Gold Coin Management Holdings Limited and its Subsidiaries
Government	The Government of the Republic of the Philippines
Greenfield	Refers to power generation projects that are developed from inception on previously undeveloped sites
GRESC	Geothermal Renewable Energy Service Contracts
Grid	As defined in the Implenting Rules and Regulations of the EPIRA, it is the high voltage backbone system of interconnected transmission lines, substations and related facilities located in each of Luzon, Visayas and Mindanao or as may be otherwise determined by the ERC in accordance with Section 45 of the EPIRA
GSIS	Government Service Insurance System
Guidelines	AEV's Amended Guidelines for the Nomination and Election of Independent Directors
GWh	Gigawatt-hour, or 1,000,000 kilowatt-hours
Hedcor	Hedcor, Inc.
Hedcor Sabangan	Hedcor Sabangan, Inc
Hedcor Sibulan	Hedcor Sibulan, Inc.
Hedcor Tudaya	Hedcor Tudaya, Inc.
Hijos	Hijos de F. Escaño, Inc.
ILP	Interruptible Load Program
IMEM	Interim Mindanao Electricity Market
IPPA	Independent Power Producer Administrator
IPO	Initial Public Offering
ISMS	Information Security Management System

Joint Venture	Refers to a type of joint agreement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually-agreed sharing of control of an arrangement, which exist only when decisions about the relevant activities require anonymous consent of the parties sharing control
JVACC	J.V. Angeles Construction Company
KGT	KLEAN Greentech Co. Ltd.
kV	Kilovolt, or 1,000 volts
kW	Kilowatt, or 1,000watts
kWh	Kilowatt-hour, the standard unit of energy used in the electric power industry. One kilowatt-hour is the amount of energy that would be produced by a generator producing 1,000 watts in one hour
K&L	K & L Farming Industries Sdn. Bhd.
Land Group	A term collectively referring to AboitizLand and the Company's Business Units engaged in the real estate
LBAA	Local Board of Assessment Appeals
LEZ	Lima Enerzone Corporation (formerly Lima Utilities Corporation)
LHC	Luzon Hydro Corporation
LimaLand	Lima Land, Inc.
LTC	Lima Technology Center
LWC	Lima Water Corporation
Maaraw San Carlos	Maaraw Holdings San Carlos, Inc.
Magat Plant	Refers to the 360-MW HEPP of SN Aboitiz Power - Magat, located at the border provinces of Isabela and Ifugao
Malvez	Malvar Enerzone Corporation
Maris Plant	The 8.5 MW run-of-river Maris Main Canal 1 Hydroelectric Power Plant

Mariveles Project	2x316MW (net) pulverized coal-fired power plant located in Mariveles, Bataan, Philippines
MCIAA	Mactan - Cebu International Airport Authority
MEPZ I	Mactan Export Processing Zone I
MEPZ II	Mactan Export Processing Zone II
Meralco	Manila Electric Company
MEZ	Mactan Enerzone Corporation
MGCI	Myanmar Gold Coin International Co. Ltd.
MOA	Memorandum of Agreement
MORE	Manila – Oslo Renewable Enterprise, Inc.
MW	Megawatt, or one mn watts
MWh	Megawatt-hour
MWP	Megawatt-peak
MVA	Megavolt Ampere
NGCP	National Grid Corporation of the Philippines
NIA	National Irrigation Authority
NPC	National Power Corporation
NPPC	Naga Power Plant Complex, the 55 MW land-based gas turbine power plant located in Colon, Naga City, Cebu
NWRB	National Water Resources Board
Oil Group	Refers to the following companies: East Asia Utilities Corporation, Cebu Private Power Corporation, Therma Marine, Inc., Therma Mobile, Inc., Therma Power - Visayas, Inc., Southern Philippines Power Corporation, and Western Mindanao Power Corporation, which own and operate Bunker C-fired power plants
Open Access	Retail Competition and Open Access
PA	Provisional Authority
Pagbilao Plant or Pag1 and Pag2	Refers to the 700-MW (2x350 MW) coal-fired thermal power plant located in Pagbilao, Quezon

PANC	Pilmico Animal Nutrition Corporation (formerly Fil-Am Foods, Inc.)
PAN-JSC	Pilmico Animal Nutrition Joint Stock Company (formerly: Eurofeed)
PBI	Pilmico Bioenergy, Inc.
PBR	Performance-Based Rate-Setting Regulation
PCC	Philippine Competition Commission
PCRM	Pricing and Cost Recovery Mechanism
PDEx	Philippine Dealing & Exchange Corp., the fixed-income securities market which provides an electronic trading platform of exchange for fixed-income securities
PDNI	Propriedad del Norte, Inc.
PDTC	Philippine Depository and Trust Corporation
PEC	Pagbilao Energy Corporation
PEMC	Philippine Electricity Market Corporation
Person	Means an individual, corporation, partnership, association, joint stock company, trust, any unincorporated organization, or a government or political subdivision thereof
PETNET	PETNET, Inc.
PEZA	Philippine Economic Zone Authority
Philippine Pesos or ₱	The lawful currency of the Republic of the Philippines
PhilRatings	Philippine Rating Services Corporation
Pilmico	Pilmico Foods Corporation
Pilmico International	Pilmico International Pte. Ltd.
Pilmico Vietnam Trading	Pilmico Viet Nam Trading Compay Ltd.
PIPPA	Philippine Independent Power Producers Association, Inc.
PPA	Power Purchase Agreement
PPP	Public-Private Partnership
Prism Energy	Prism Energy, Inc.
PSA	Power Supply Agreement

PSALM	Power Sector Assets and Liabilities Management Corporation
PSC	Power Supply Contract
PSE	The Philippine Stock Exchange, Inc.
PSPA	Power Supply and Purchase Agreement
PT Ayam	PT Ayam Unggul
PVF	Pilmico Vietnam Feeds Joint Stock Company (formerly: Pilmico VHF Joint Stock Company)
QMS	Quality Management System
RA	Republic Act
RCBM	Republic Cement and Building Materials, Inc.
RCII	Republic Cement Iligan, Inc.
RCLR	Republic Cement Land & Resources, Inc.
RCMI	Republic Cement Mindanao, Inc.
RCSI	Republic Cement Services, (Philippines) Inc.
REM	Retail Electricity Market
Renewal Energy Act or RE Law	RA 9513, otherwise known as the Renewable Energy Act of 2008
REPA	Renewable Energy Payment Agreement
RES	Retail Electricity Supplier
RESA	Retail Electricity Suppliers Association of the Philippines, Inc.
RESC	Renewable Energy Service Contracts
Revised Corporation Code	Republic Act No. 11232 or the Revised Corporation Code of the Philippines
Revised Manual	Refers to the Company's Revised Manual on Corporate Governance
RORB	Return-on-Rate base
RP Energy	Redondo Peninsula Energy, Inc.
RPT	Real Property Tax
RSC	Retail Supply Contracts
RTC	Regional Trial Court

Run-of-river hydroelectric plant	Refers to a hydroelectric power plant that generates electricty from the natural flow and elevation drop of a river
RTT	Right-to-Top
Sacasun	San Carlos Sun Power Inc.
SBFZ	Subic Bay Freeport Zone
SBMA	Subic Bay Metropolitan Authority
SC	The Supreme Court of the Philippines
SEC	The Securities and Exchange Commission of the Philippines
SEZ	Subic EnerZone Corporation
SFELAPCO	San Fernando Electric Light and Power Co., Inc.
Sibulan Project	Refers to the two run-of-river hydropower generating facilities tapping the Sibulan and Baroring rivers in Sibulan, Santa Cruz, Davao del Sur
SN Aboitiz Power - Benguet	SN Aboitiz Power - Benguet, Inc. (formerly SN Aboitiz Power Hydro, Inc.)
SN Aboitiz Power Group	Refers to the group of companies formed out of the strategic partnership between AboitizPower and SN Power, and refers to MORE and its Subsidiaries, including, SN Aboitiz Power-Benguet, Inc., SN Aboitiz Power-Gen, Inc., SN Aboitiz Power-RES, Inc., and SN Aboitiz Power-Magat, Inc.
SN Power	SN Power AS, a consortium between Statkraft AS and Norfund of Norway
SN Power Group	Refers to the group formed by Statkraft AS and Norfund, and is composed of, among others, SN Power AS and Agua Imara AS. It is the leading Norwegian hydropower group with operations in Asia, Africa and Latin America
SPC	SPC Power Corporation
SPPC	Southern Philippines Power Corporation
SRC	RA 8799 or the Securities Regulation Code of the Philippines

STEAG Power	STEAG State Power Inc.
Subsidiary	In respect of any Person, refers to any entity: (i) who has power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee); (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) ability to use its power over the investee to affect its returns
SYBVI	Syaqua Group Incorporated
SYHK	Sya Holdings (Hong Kong) Limited
SYSG	Syaqua Singapore Pte Ltd
TCIC	Taiwan Cogeneration International Corporation
TeaM Energy	Team Energy Corporation
Team Philippines	Team Philippines Industrial Power II Corporation
THI	Tsuneishi Heavy Industries (Cebu), Inc.
Tiwi-MakBan Geothermal Facilities	Refers to the geothermal facilities composed of 12 geothermal plants and one binary plant, located in the provinces of Batangas, Laguna and Albay
TLI	Therma Luzon, Inc.
TMI	Therma Marine, Inc.
TMO	Therma Mobile, Inc.
TPI	Therma Power, Inc.
TPVI	Therma Power - Visayas, Inc.

TransCo	National Transmission Corporation and, as applicable, the National Grid Corporation of the Philippines or NGCP which is the Transco concessionaire
TSA	Transmission Service Agreement
TSI	Therma South, Inc.
TVI	Therma Visayas, Inc. (formerly Vesper Industrial and Development Corporation)
ULGEI	Unified Leyte Geothermal Energy, Inc.
ULGPP	Unified Leyte Geothermal Power Plant
UnionBank or UBP	Union Bank of the Philippines
US$	The lawful currency of the United States of America
VAT	Value Added Tax
VEC	Vivant Energy Corporation
VECO	Visayan Electric Company, Inc.
VIGC	Vivant Integrated Generation Corporation
Vivant Group	Refers to Vivant Corporation and its subsidiaries
WAM	Work and Asset Management
WCIP	West Cebu Industrial Park, Inc.
WCIP-SEZ	West Cebu Industrial Park-Special Economic Zone
WeatherPhilippines	WeatherPhilippines Foundation, Inc.
WESM	Wholesale Electricity Spot Market
WMPC	Western Mindanao Power Corporation
Western Union	Western Union Company

PART 1 – BUSINESS AND GENERAL INFORMATION

Item 1. Business

(1) Business Development

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

Since then, the Company has expanded its portfolio into a wide range of businesses. AEV's core businesses, conducted through its various domestic and international Subsidiaries and Associates across 11 countries, are grouped into six main categories: (a) power generation, distribution, and retail electricity supply; (b) financial services; (c) food manufacturing; (d) real estate; (e) infrastructure; and (f) portfolio investments (parent company/others).

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

As of December 31, 2018, Aboitiz & Company, Inc. (ACO) owns 48.57% of the outstanding capital stock of AEV, 4.98% are owned by directors, officers, and related parties, while the rest are owned by the public.

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

Power Generation, Distribution, and Retail Electricity Supply

AEV's power Business Unit, Aboitiz Power Corporation (AboitizPower) was incorporated on February 13, 1998 in Cebu City, Philippines as a private holding company. Since its incorporation, AboitizPower has become a publicly-listed holding company that, through its Subsidiaries and Affiliates, is now a leader in the Philippine power industry and has interests in a number of privately-owned generation companies, retail electricity supply services, and distribution utilities, throughout the Philippines, from Benguet in the north to Davao in the south. AboitizPower has accumulated interests in a portfolio of power generating plants, using renewable and non-renewable sources. As of December 31, 2018, its generation companies have an attributable net sellable capacity of 3,206 MW, which is equivalent to 17% market share of the national grid's installed generating capacity. The company also owns interests in nine distribution utilities in Luzon, Visayas, and Mindanao, including the second and third largest distribution utlities in the Philippines, Visayan Electric Company, Inc. (VECO) and Davao Light & Power Company, Inc. (Davao Light). AboitizPower's Subsidiaries engaged in the supply of retail electricity sold a total of 5.32 TWh as of December 31, 2018.

AboitizPower plans to enter the rooftop solar business through Aboitiz Power Distribured Energy, Inc. (APX1) and expand the renewable energy portfolio under its Cleanergy brand. AboitizPower's Cleanergy portfolio includes its geothermal, run-of-river hydro, and large hydropower facilities. AboitizPower first ventured into the solar market in 2016 with San Carlos Sun Power, Inc. (Sacasun). As of December 31, 2018, AboitizPower has 988 MW of net sellable capacity, through its partners, under its Cleanergy brand. AboitizPower is pushing for a balanced mix strategy – maximizing Cleanergy while taking advantage of the reliability and cost efficiency of thermal power plants.

On January 4, 2019, TMO notified Manila Electric Company (MERALCO) that it will physically disconnect from MERALCO's system and will deregister as a Trading Participant in the Wholesale Electricity Spot Market (WESM) effective February 5, 2019. This is due to TMO's commercial inactivity since June 26, 2018, following the absence of an approved power supply agreement for its four barges. After evaluating the circumstances and the options available, TMO decided to preserve its bunker C-fired diesel power plants. Notices were sent to Philippine Electricity Market Corporation (PEMC), Independent Electricity Market Operator of the Philippines Inc., Department of Energy (DOE), and Energy Regulatory Commission (ERC), following the applicable legal requirements.

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

Financial Services

AEV's financial services group is composed of Union Bank of the Philippines (UnionBank or the "Bank") and its Subsidiaries, which now includes PETNET, Inc. (PETNET), a money-transfer company. UnionBank is a publicly-listed universal bank whose principal shareholders are AEV, the Social Security System (SSS), and The Insular Life Assurance Company, Ltd. (Insular Life). It distinguishes itself through technology and innovation, unique branch sales and service culture, and centralized backroom operations. UnionBank's clientele encompasses retail, middle-market, and corporate customers, as well as major government institutions. UnionBank believes that its use of technology, marketing strategies, and operational structure have enabled it to capture and secure a loyal customer base and achieve high levels of efficiency and productivity.

UnionBank has undertaken two bank mergers, first with International Corporate Bank (Interbank) in 1994 and then with International Exchange Bank (iBank) in 2006.

On January 8, 2013, UnionBank's Board of Directors approved the purchase of CitySavings, Inc. (CitySavings), a premier thrift bank engaged in, among other banking activities, granting teacher's loans under the Department of Education's (DepEd) Automatic Payroll Deduction System (APDS). The transaction was approved by the Monetary Board of the Bangko Sentral ng Pilipinas (BSP) on March 21, 2013. The acquisition of CitySavings is aligned with UnionBank's business plan and long-term strategy of building businesses based on consumers.

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

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

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

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

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

On January 27, 2017, UnionBank and CitySavings entered into a bancassurance partnership with Insular Life for the sale and distribution of insurance products across the Bank's and CitySavings's respective networks. On April 4, 2017, BSP granted UnionBank and CitySavings the authority to engage in cross-selling activities with Insular Life across its network.

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

On February 26, 2018, City Savings agreed to acquire 33.73% of the outstanding capital of Philippine Resources Savings Bank Corporation (PR Savings) from International Finance Corporation, an Isabela-based bank engaged in extending motorcycle, agri-machinery, and teachers' salary loans.

On December 29, 2017, CitySavings announced that it signed a Share Purchase Agreement ("SPA") with the ROPALI Group to acquire 100% of the common shares of PR Savings. The transaction was approved by the BSP on June 19, 2018. On December 27, 2018, the Bank also received BSP's approval for the merger between CitySavings and PR Savings, with CitySavings as the surviving entity.

In February 2018, CitySavings and UPI signed an SPA with AEV to purchase 51% of the common shares of PETNET, Inc. The transaction was approved by the Philippine Competition Commission (PCC) on May 8, 2018, and by the BSP on November 23, 2018. PETNET, more widely known by its retail brand name PeraHub, has over 2,800 outlets nationwide which offers a variety of cash-based services including remittance, currency exchange, and bills payment. In addition, PETNET, is an outsourced service provider of CitySavings, facilitates and accepts applications for DepEd salary loans and GSIS pension loans.

On February 21, 2018, UnionBank issued ₱3.0 bn LTNCDs due in August 2023 with a fixed rate of 4.375% per annum. This is the initial tranche of the Bank's ₱20.0 bn LTNCD program as approved by BSP. The net proceeds from the issuance of LTNCD will be used to diversify the Parent Bank's maturity profile of funding sources and to support its business expansion plans.

On September 28, 2018, UnionBank announced the completion of its ₱10.0 bn Stock Rights Offer (SRO) following the end of the offer period on September 21, 2018. The bank issued 158,805,583 common shares or 15% of UnionBank's outstanding shares prior the SRO and was priced at ₱62.97 each. The rights shares were listed at the PSE on the same day.

On November 23, 2018, UnionBank issued ₱10.5 bn in senior fixed rate bonds, the first issuance under the Bank's ₱20.0 bn multi-tranche bond and commercial paper program. On November 29, 2018, the Bank increased the final bond issuance to ₱11.0 bn. The two-year fixed rate bonds have a coupon rate of 7.061% per annum due 2020. The said bonds were listed on the PDEx on December 7, 2018.

Food Manufacturing

AEV through its food manufacturing Business Units, Pilmico Foods Corporation, Pilmico Animal Nutrition Corporation, and Pilmico International Pte. Ltd. (Pilmico International), is engaged in the business of flour, hog and layer farms, animal feeds, and by-products. In July 2018, Pilmico International completed the acquisition of a 75% equity interest in Gold Coin Management Holdings, Ltd. (GCMH) and its Subsidiaries (collectively, the "Gold Coin Group"), for a final consideration of US$333.8 mn. This expanded AEV's food manufacturing business into 11 countries across the Asia-Pacific region.

(a) Feeds and Flour

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

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

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

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

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

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

In 2017, Pilmico Foods broke ground in building new warehousing and silo storage to support volume growth in the feeds and flour businesses. In 2018, we are building another 20 TPH in capacity Iligan Feedmill to support the growing requirements in Visayas and Mindanao. This will be completed end of 2019.

(b) Hog and Layer Farms

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

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

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

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

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

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

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

(c) International Animal Nutrition

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

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

In 2017, Pilmico International further expanded its core feeds business in Vietnam through the acquisition of a 70% equity interest in Europe Nutrition Joint Stock Company (Eurofeed), which was then sold to the Gold Coin Group in 2018.

In 2018, to further expand the Aboitiz Group's animal feeds business within the Asian region, AEV, through Pilmico International, acquired a 75% equity interest in GCMH, the parent company of the Gold Coin Group. Headquartered in Singapore, the Gold Coin Group is engaged in animal nutrition and manufacturing of animal feed across 11 countries in Asia. Gold Coin is a leading brand in animal nutrition with 3,000 employees and more than 21 production facilities, with an installed milling capacity of 3 mn MT per year as of January 2018. As of January 31, 2019, it has three research facilities located in China, Indonesia and Malaysia.

The Gold Coin Group manufactures and sells animal feed and specialty nutrition products, including compound feed, pre-mix and additives for the livestock and aqua sectors in the Asia Pacific region. Products and services include: (a) Livestock feed such as feed for poultry broiler/layer, swine, duck, other birds and fish; (b) Aqua feed or feeds for aquaculture produce such as shrimp; and (c) Specialty Nutrition or the premix and specialty concentrates complete feed.

GCMH was listed on the Malaysian Stock Exchange in 1974, but was privatised in 2001 due to strategic consideration. In 1981, its first mill was opened in Jakarta, Indonesia. Two years after, in 1983, Gold Coin Group also opened a mill in Shenzhen, China, in Colombo, Sri Lanka in 1993, and in Dong Nai, Vietnam in 2004. It also opened its first Aqua Mill in Malaysia in 1991, and in India in 2006.

The Gold Coin Group established its flour mill business in 1984. A year after, it started its research and formulation for Aqua Feed. In 2004, it divested its Flour business.

The Gold Coin Group entered into a joint venture agreement with Ayam Unggul Indonesia in 2010, and with CCK in East Malaysia in 2016 to accelerate market penetration in poultry feed in East Malaysia.

Real Estate

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

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

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

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

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

In 2018, AboitizLand launched Ajoya Cabanatuan and Ajoya Capas both located in Central Luzon, and SeaFront Villas in Laiya, Batangas. AboitizLand expects to launch additional projects in 2019, which will contribute to the growing portfolio of both its residential and commercial segment.

Infrastructure

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

On March 17, 2015, Apo Agua Infrastractura, Inc. (Apo Agua), a joint venture company with J.V. Angeles Construction Company (JVACC), entered into a Joint Venture Agreement and Bulk Water Purchase Agreement with Davao City Water District (DCWD). The proposed joint venture includes the construction of both a hydroelectric-powered bulk water treatment facility and the conveyance system needed to deliver treated bulk water to numerous DCWD delivery points. Following the execution of the Engineering, Procurement, and Construction (EPC) contract with JVACC on February 6, 2018, construction started on November 26, 2018 and is expected to continue for a period of three years.

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

Aboitiz InfraCapital has participated in and intends to continue participating in the Philippine government's infrastructure programs. On February 12, 2018, it was part of a consortium of several of the country's major conglomerates that submitted an unsolicited proposal to DOTr for the rehabilitation and transformation of the Ninoy Aquino International Airport (NAIA) into a regional airport hub. The consortium plans to work with foreign technical partners with proven world-class track records and experiences in airport operations to improve, upgrade, and enhance the operational efficiencies of NAIA covering both landside and airside facilities. On September 13, 2018, the consortium's proposal was granted Original Proponent Status (OPS) by the DOTr and the Manila International Airport Authority. Following the grant of OPS, the proposal shall be subject to the review and approval by the NEDA Board and to a Swiss Challenge from other parties in accordance with the requirements of the BOT Law.

On March 7, 2018, Aboitiz InfraCapital submitted to the DOTr an unsolicited proposal to upgrade, expand, operate, and maintain four major Philippine airports seen as key entry points into Visayas and Northern Mindanao; namely, Iloilo International Airport, Bacolod-Silay Airport, Laguindingan Airport, and New Bohol International Airport. The ₱148 bn multi-phased project was intended to transform these facilities into world-class regional gateways built under the "green airports" concept. On September 28, 2018, Aboitiz InfraCapital was granted OPS by the DOTr for the operations and maintainance, future development, and expansion of the New Bohol International Aiport in Panglao Island, and on February 26, 2019, it was also granted OPS for Laguindingan Airport.

On August 13, 2018, Aboitiz InfraCapital, as part of a consortium, submitted an unsolicited proposal to the Philippine Statistics Authority for the design and development of a national identity infrastructure solution that will provide a safe and secure identification and benefits payment mechanism for individuals transacting with the government.

On February 7, 2019, Aboitiz InfraCapital signed a Memorandum of Understanding with the Department of Information and Communications Technology (DICT) allowing the former to potentially build, operate, and maintain a network of cellular towers throughout the Philippines that it can lease to the telecommunication companies.

(2) Business of Issuer

(a) Description of Registrant

(i) Principal Products or Services

As of December 31, 2018, AEV's core businesses, conducted through its various Subsidiaries and Affiliates, can be grouped into six main categories as follows: (a) power distribution, power generation, and retail electricity supply; (b) financial services; (c) food manufacturing; (d) real estate; (e) infrastructure; and (f) portfolio investments (parent company/ others).

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

GENERATION OF ELECTRICITY

Since its incorporation in 1998, AboitizPower has accumulated interests in both renewable and non-renewable generation plants. As of 2018, the power generation business accounted for 82% of earning contributions from AboitizPower's business segments. AboitizPower conducts its power generation activities through the Subsidiaries and Affiliates listed in the table below.

The table below summarizes the Generation Companies' operating results as of December 31, 2018 compared to the same period in 2017 and 2016:

Generation Companies	Energy Sold			Revenue		
	2018	2017	2016	2018	2017	2016
	(in GWh)			(in mn Pesos)		
APRI	2,975	2,747	2,688	12,518	11,645	10,334
Hedcor	172	162	140	694	821	776
LHC	291	272	263	970	774	801
Hedcor Sibulan	213	259	189	1,385	1,591	1,131
Hedcor Tudaya	32	41	30	191	240	180
Hedcor Sabangan	53	55	28	315	325	166
SN Aboitiz Power-Magat	2,379	1,324	923	7,182	8,298	6,308
SN AboitizPower-Benguet	2,085	989	867	6,070	6,996	6,307
TLI	6,808	5,126	5,091	26,603	22,939	19,661
TSI	1,959	1,647	1,640	11,141	10,535	8,869
Cebu Energy	1,978	1,724	1,723	9,724	8,752	7,966
STEAG Power	1,840	1,212	1,605	4,373	4,255	4,706
GMCP*	5,498	5,482	0	23,492	21,644	0
WMPC	438	221	355	1,393	1,439	1,636
SPPC	161	50	155	161	524	633
CPPC	551	141	146	1,253	1,484	1,292
EAUC	368	63	90	819	844	725
TMI	1,432	182	917	2,016	2,076	4,268
TMO	814	286	336	1,694	3,111	2,911
Davao Light**	0	0	0	Revenue Neutral	Revenue Neutral	Revenue Neutral
Cotabato Light**	0	0	0	Revenue Neutral	Revenue Neutral	Revenue Neutral

** TPI completed the acquisition of GMCP on December 27, 2016.*

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

Renewables

Aboitiz Renewables, Inc. (ARI)

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

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

(a) 100% equity interest in Luzon Hydro Corporation (LHC), which operates the 70-MW Bakun AC Plant in Ilocos Sur in Northern Luzon;
(b) 100% equity interest in Hedcor, which operates 13 mini-hydroelectric plants (each with less than 10 MW in installed capacity) with a total capacity of 37.90 MW located in Benguet Province in northern Luzon and in Davao City in Southeastern Mindanao;
(c) 100% equity interest in Hedcor Sibulan, Inc. (Hedcor Sibulan), which operates the 49-MW Sibulan HEPP and Tudaya 1 HEPP in Davao del Sur;
(d) 100% equity interest in Hedcor Tudaya, Inc. (Hedcor Tudaya), which operates the 7-MW Tudaya 2 HEPP in Davao del Sur;
(e) 100% equity interest in Hedcor Sabangan, Inc. (Hedcor Sabangan), which operates the 14-MW Sabangan run-of-river HEPP in Sabangan, Mountain Province;
(f) 100% equity interest in Hedcor Bukidnon, Inc. (Hedcor Bukidnon), which is currently building a 68-MW run-of-river HEPP in Manolo Fortich, Bukidnon;
(g) 83.33% equity interest in Manila-Oslo Renewable Enterprise, Inc. (MORE), which owns SN Aboitiz Power-Magat, the company that operates the 360-MW Magat HEPP and the 8.5MW Maris Plant in Isabela in Northern Luzon and SN Aboitiz Power-Benguet, the company that operates the 245-MW Ambuklao-Binga Hydroelectric Power Complex in northern Luzon;
(h) 100% equity interest in APRI, which owns and operates the 344-MW Tiwi-MakBan geothermal facilities located in Albay, Laguna and Batangas. 100% beneficial ownership interest in Sacasun, the company that owns and operates 59-MWp utility-scale solar photovoltaic solar project in San Carlos City, Negros Occidental; and
(i) 100% equity interest in Aseagas Corporation, the company that owns the biogas plant in Lian, Batangas, which has ceased operations.

Run-of-River Hydros

Luzon Hydro Corporation (LHC)

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

LHC was previously ARI's joint venture company with Pacific Hydro of Australia, a privately-owned Australian company that specializes in developing and operating power projects utilizing renewable energy sources. On March 31, 2011, ARI, LHC, and Pacific Hydro signed a memorandum of agreement granting ARI full ownership over LHC. ARI assumed 100% ownership and control of LHC on May 10, 2011.

LHC's Bakun AC Plant was constructed and operated under the government's build-operate-transfer scheme (BOT). As such, the 254 GWh of energy produced by the Bakun AC Plant annualy, is delivered and taken up by NPC pursuant to a Power Purchase Agreement ("Bakun PPA") and dispatched to the Luzon Grid through the 230-kV Bauang-Bakun transmission line of National Grid Corporation of the Philippines (NGCP). Under the terms of the Bakun PPA, all of the electricity generated by the Bakun AC Plant will be purchased by NPC for a period of 25 years from February 2001.

The Bakun PPA also requires LHC to transfer the Bakun AC Plant to NPC in February 2026, free from liens and without the payment of any compensation by NPC.

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

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

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

Hedcor, Inc. (Hedcor)

Hedcor owns, operates, and manages run-of-river hydropower plants in Northern Luzon and Davao City with a combined net sellable capacity of 36.52 MW.

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

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

Northern Luzon's climate is classified as having two pronounced seasons - dry from November to April and wet for the rest of the year. Due to this classification, generation levels of Hedcor's plants, particularly those located in Northern Luzon, are typically lower during the first five months of each year. In 2018, Hedcor's hydropower plants generated a total of 149 GWh of Cleanergy, its brand for clean and renewable energy.

In 2017, Hedcor broke ground on its Bineng Combination Hydro project in La Trinidad, Benguet. It will replace Bineng 1, 2, and 2B, which originally had a combined capacity of 6 MW, with a new facility and is expected to produce 19 MW of hydro power of which 100% is attributable to AboitizPower. The plant is targeted commercial operations in July 2019 and is expected to be FIT-eligible.

Hedcor Sibulan, Inc. (Hedcor Sibulan)

Incorporated on December 2, 2005, Hedcor Sibulan is a wholly-owned Subsidiary of ARI and owns, operates, and manages 49.23-MW hydropower plants collectively known as "Sibulan Plants" in Sibulan, Santa Cruz, Davao del Sur.

The Sibulan Plants are composed of three cascading plants: Sibulan A Hydro which produces 16.32 MW; Tudaya 1 Hydro which produces 6.7 MW; and Sibulan Hydro B which produces another 26.25 MW by re-using the water from Sibulan A Hydro and Tudaya 1 Hydro. The Energy Regulatory Commission (ERC) renewed the Certificates of Compliance (COC) for Tudaya Hydro 1 on March 10, 2014, and for the Sibulan Hydro A and B plants on May 18, 2015. Since 2007, the energy produced by the Sibulan Plants has been sold to Davao Light through a Power Supply Agreement (PSA).

On September 12, 2012, DOE awarded Tudaya 1 with a Renewable Energy Service Contract (RESC) which allowed Hedcor Sibulan to avail of the incentives under the Republic Act No. 9513 or the Renewable Energy Act of 2008 (RE Law) for seven years.

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

Hedcor Tudaya, Inc. (Hedcor Tudaya)

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

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

Hedcor Sabangan, Inc. (Hedcor Sabangan)

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

Hedcor Bukidnon, Inc. (Hedcor Bukidnon)

Incorporated on January 17, 2011, Hedcor Bukidnon is a wholly-owned Subsidiary of ARI and owns, operates, and manages the Manolo Fortich hydropower plants with a combined net sellable capacity of 68.8 MW ("Manolo Fortich Plant") located in Manolo Fortich, Bukidnon.

The Manolo Fortich Plant is composed of two plants: the 43.4-MW Manolo Fortich Hydro 1 and the 25.4-MW Manolo Fortich Hydro 2. Both plants produce at least 350 GWh annually. The construction of the Manolo Fortich project was brought to completion in 2018, with the total project costing estimated total of ₱13 bn.

Large Hydros

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

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

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

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

In 2009, SN Aboitiz Power-Magat began the refurbishment project of Unit 2, which was completed on January 2018. The refurbishment projects involved the replacement of power transformers and related equipment, as well as automation of its control systems. These aimed to overhaul the plant's electro-mechanical equipment and avert operational inefficiencies that usually occur in HEPPs after more than 25 years of operation. Half-life refurbishment is considered a good industry practice to ensure that the plants remain available throughout their lifespan.

The Company's COC was issued on December 2015 which is valid for five years or until November 28, 2020.

The mild La Niña phenomenon experienced during the last quarter of 2017 up to the first quarter of 2018 resulted in higher than normal inflows from January to April. The La Niña episode ended in the first half of 2018, with inflows experienced in the Magat dam higher by 10% compared to the historical normal. In the second half of 2018, third quarter inflows were above normal, but the fourth quarter had below normal inflows due to the impending El Niño. Overall, for 2018, Magat dam experienced water availability that is 10% higher than normal. However, 2018 inflows in Magat dam were 14% lower compared to the high inflow experienced in 2017.

Driven by lower water inflows, the Magat Plant's total sold capacity from spot energy generation and AS decreased by 8% in 2018 at 2.26 Terawatt-hour (TWh) from 2.46 TWh in 2017. This was equivalent to sold capacity factor of 68% in 2018 compared to 75% for 2017. This resulted to spot and AS revenue of ₱6.23 bn in 2018, or 12% lower than the revenue of ₱7.06 bn in 2017. Bilateral Contract Quantity (BCQ) revenue in 2018 associated with SN Aboitiz Power-Magat is ₱550 mn, or 21% lower than in 2017 (₱698 mn).

In partnership with the Department of Energy (DOE), the Safety and Health Association of the Philippine Energy Sector, Inc. (SHAPES) declared SN Aboitiz Power-Magat a Hall of Famer during the DOE's 2018 Corporate Safety and Health Excellence Awards recognizing its exemplary occupational health and safety performance for three consecutive years from 2016-2018. Magat HEPP of SN Aboitiz Power-Magat recorded nearly 1.18 mn manhours without lost time incident. Several SN Aboitiz Power-Magat safety professionals were also feted for being instrumental in implementing safety and health policies that helped the company attain zero lost time accident.

SN Aboitiz Power-Magat implemented the Integrated Management System consisting of the ISO 14001 Environmental Management System, the ISO 9001 Quality Management System, transition from OHSAS 18001 Occupational Health & Safety Management System to ISO 45001, and ISO 55001 Asset Management, as verified and audited by DQS Philippines in 2018.

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

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

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

In March 2017, SN Aboitiz Power-Benguet received its amended COC from the ERC for all four units of the Binga Plant. The amended COC reflects the increase of Binga's capacity from 130 MW (35 MW for each of the four units) to 130.08 MW (35.02 MW for each unit).

The mild La Niña phenomenon experienced during the last quarter of 2017 up to the first quarter of 2018 resulted to higher than normal inflows from January to June. This ended the first half of 2018, with inflows to the Benguet dams higher by 42% as compared to the historical normal. In the second half of 2018, third quarter inflows were way above normal due to the Habagat-fueled typhoons, while the fourth quarter experienced below normal inflows due to the El Niño manifestations. This resulted to the Benguet dams ending 2018 with 57% higher than the normal water availability and for all of 2018 the Benguet dams nearly doubled the 2017 inflows.

Although inflows were higher in the Ambuklao reservoir in 2018 as compared to 2017, there was an overall lower AS Capacity Approval and Spot Sales for Benguet. Ambuklao Plant's total sold capacity from spot energy generation and Ancillary Services (AS) decreased by 0.74% at 810 GWh in 2018 as compared to 816 GWh in 2017. This is equivalent to sold capacity factor of 88% in 2018, as compared to 89% in 2017.

Similarly, Binga Plant's total sold capacity from spot energy generation and AS in 2018 is at 1.1 TWh as compared to 1.18 GWh in 2017. This is equivalent to sold capacity factor of 90% in 2018 compared to 96% in 2017.

The resulting combined spot and AS revenue of the Ambuklao and Binga Plants for 2018 was ₱4.9 bn, which is 7% lower than the revenue of ₱5.29 bn in 2017. BCQ revenue in 2018 associated with SN Aboitiz Power-Benguet was ₱553 mn, 22% lower than that of 2017 (₱707 mn).

SN Aboitiz Power-Benguet was also declared as Hall of Famer by DOE during the DOE's 2018 Corporate Safety and Health Excellence Awards for its exemplary occupational health and safety performance for three consecutive years from 2016-2018. The Ambuklao and Binga Hydroelectric Power Plants (HEPP) jointly have more than 3.79 mn man hours of having no lost time incident and several safety professionals were also feted for being instrumental in implementing safety and health policies that helped the company attain zero lost time accident.

Both the Ambuklao and Binga Plants have implemented their Integrated Management System (ISO 14001 Environmental Management System, ISO 9001 Quality Management System, and OHSAS 18001 Occupational Health & Safety Management System) and have retained their management system certificates. SN Aboitiz Power-Benguet Inc. was also successfully certified on ISO 55001 for Asset Management on its two plants Ambuklao and Binga plant facilities last March 14, 2018. This added to the three ISO standards already obtained by the organization in the past.

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

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

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

There is a pipeline of projects in various stages from initial prospecting, pre-feasibility, feasibility, construction, including the recently completed Maris Plant which was transferred to SN Aboitiz Power-Magat. As of the end of 2018, SN Aboitiz Power-Gen significant project is the proposed 380-MW Alimit Hydropower Complex Project in Ifugao. The project consists of the 120-MW Alimit hydropower plant, the 250-MW Alimit pumped storage facility (on hold due to market constraints), and the 20-MW Olilicon hydropower plant. The technical part of the feasibility study is completed and all agreements with the indigenous peoples (IPs)/indigenous cultural communities (ICCs) related to the Free Prior and Informed Consent (FPIC) are also concluded. SN Aboitiz Power-Gen is now processing the application for the approval of the FPIC process as it continues to work with the government, IP/ICC representatives, and industry partners.

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

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

Geothermal

AP Renewables Inc. (APRI)

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

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

On August 24, 2018, APRI and Philippine Geothermal Production Company, Inc. ("PGPC") signed a Geothermal Resources Supply and Services Agreement ("GRSSA") for the supply of steam and drilling of new production wells for the Tiwi-MakBan Plants thereby ensuring the long-term operations of the facilities. Under the GRSSA, PGPC will drill at least 12 new production wells over a six-year period to increase steam availability. The GRSSA also ensures a more equitable and competitive fuel pricing in the long run.

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

Solar

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

Maaraw San Carlos was incorporated on April 24, 2015 as the holding company of Sacasun.

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

San Carlos Sun Power Inc. (Sacasun)

Sacasun was incorporated on July 25, 2014 initially as a joint venture between ARI and SunEdison Philippines, a Dutch company. On December 4, 2017, AboitizPower International acquired SunE Solar B.V.'s equity interest in SunEdison Philippines, resulting in AboitizPower's 100% effective equity ownership in Sacasun.

Sacasun owns and operates the 59-MWp solar photovoltaic power generation plant located in the San Carlos Ecozone, Barangay Punao, San Carlos City, Negros Occidental ("Sacasun Plant").

As a renewable energy developer, Sacasun participates in the renewable energy market and other initiatives which promote utilization of renewable energy resources. The energy generated from the Sacasun Plant benefits more than 8,000 homes. Sacasun believes in producing clean energy for sustainable development and inclusive growth of its communities within a shared environment.

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

Aboitiz Power Distributed Energy, Inc. (APX1) and Aboitiz Power Distributed Renewables Inc. (APX2)

Incorporated on November 2016, APX1 is the project company which, together with APX2 (formerly: Kookabura Equity Ventures, Inc.) (collectively, APX), will engage in the business of operating light and power systems. APX1 and APX2 are wholly-owned Subsidiaries of ARI.

During their first year of operation, APX1 and APX2 focused on building internal capability to serve various market segments, attracting top technical talent for photovoltaic (PV) solar technology, and defining synergies with other teams and products within the Aboitiz Group.

In February 2018, a 100 kW installation atop the roof of the Aboitiz Corporate Office at Banilad, Cebu City was completed by APX to signal the entry of the AboitizPower Group into Behind the Meter (BTM), distributed energy solutions such as rooftop solar. This was shortly followed by the announcement of a 1.5 MW rooftop solar solution for The Outlets at Lipa in Lima Technology Center which was completed and commissioned in December 2018. Through this project, revenue will be secured for the next 20 years starting January 2019.

Several customers in various locations across Luzon and Visayas have also agreed to terms with APX to go solar. By creating sales channels through relationships with the RES and Distribution Utility teams within the AboitizPower Group, APX expects to advance its pipeline nationwide in 2019.

Non-Renewables

Therma Power, Inc. (TPI)

Incorporated on October 26, 2007, TPI is a wholly-owned Subsidiary of AboitizPower and is the latter's holding company for its non-renewable energy projects. AboitizPower, through and/or with, TPI has equity interests in the following generation companies, among others:

(a) 100% equity interest in TMI, owner and operator of 100-MW Mobile 1 barge-mounted power plant in Maco, Compostela Valley and 100-MW Mobile 2 barge-mounted power plant in Nasipit, Agusan del Norte;
(b) 100% equity interest in TMO, owner and operator of Mobile 3-6 barge-mounted power plants in Navotas Fishport, Manila, with a total generating capacity of 242 MW;
(c) 100% equity interest in EAUC, owner and operator of a 43-MW Bunker C fired power plant in MEPZ 1, Mactan, Cebu;
(d) 100% equity interest in TLI, the IPPA of the 700-MW contracted capacity of the Pagbilao Plant located in Quezon Province;
(e) 100% equity interest in TSI, owner and operator of a 300 MW circulating fluidized bed (CFB) coal-fired power plant in Toril, Davao City;
(f) 100% equity interest in TPVI, the project company for the Naga Power Plant Complex (NPPC), located in Naga City, Cebu.
(g) 80% equity interest in TVI, which is currently building a 340-MW CFB coal-fired power plant in Toledo City, Cebu;
(h) 66.07% beneficial ownership interest as of March 31, 2018 in GMCP, owner and operator of an approximately 2x316 MW (net) pulverized coal-fired electric power generation facility in Mariveles, Bataan;
(i) 50% beneficial ownership interest as of December 31, 2018 in GNPD, which is currently building a 2x668 MW (net) supercritical coal-fired power plant in Bataan;
(j) 50% equity interest in PEC, owner and operator of the 400-MW (net) coal-fired power plant in Pagbilao, Quezon Province;
(k) 26.4% benefial ownership interest in Cebu Energy, which operates a 3x82-MW coal-fired power power plant in Toledo City, Cebu; and
(l) 25% equity interest in RP Energy, the project company for the power plant project at the Redondo Peninsula located in the Subic Bay Freeport Zone (SBFZ).

Oil Group

Therma Marine, Inc. (TMI)

Incorporated on November 12, 2008, TMI is a wholly-owned Subsidiary of TPI and owns and operates Power Barges Mobile 1 (previously known as PB 118) and Mobile 2 (previously known as PB117), with a total generating capacity of 200 MW. Mobile 1 is currently moored at Barangay San Roque, Maco, Compostela Valley, while Mobile 2 is moored at Barangay Sta. Ana, Nasipit, Agusan del Norte.

The 192.2-MW dependable capacities of Mobile 1 and Mobile 2 are currently being fully contracted and sold to various cooperatives, industrial and commercial customers in Mindanao under ERC-approved Energy Supply Agreements (ESAs). The ESAs have been extended with different expiry dates ranging from 2019 to 2021.

Therma Mobile, Inc. (TMO)

Incorporated on October 20, 2008, TMO is a wholly-owned Subsidiary of TPI and owns and operates four barge-mounted power plants located at the Navotas Fish Port, Manila, with a total installed generating capacity of 242 MW.

On January 7, 2019, TMO notified MERALCO that it will physically disconnect from MERALCO's system and will deregister as a Trading Participant in the WESM effective February 5, 2019. This was due to TMO's commercial inactivity since June 26, 2018, following the absence of an approved power supply agreements for its four barges. After evaluating the circumstances and the options available, TMO decided to preserve its Bunker C-fired diesel power plants. Notices were also sent to PEMC, DOE, ERC and Independent Electricity Market Operator of the Philippines Inc. (IEMOP), following applicable legal notice requirements.

East Asia Utilities Corporation (EAUC)

Incorporated on February 18, 1993, EAUC is a wholly-owned Subsidiary of TPI and is the owner and operator of a Bunker C-fired power plant in Mactan Economic Processing Zone I (MEPZ I), Lapu-Lapu City, Cebu. It has been operating the plant since 1997 and has been supplying power through the WESM since 2010.

Therma Power Visayas, Inc. (TPVI)

Incorporated on October 8, 2007, TPVI is a wholly-owned Subsidiary of AboitizPower and successfully bid for the Naga Power Plant Complex (NPPC).

Following protracted legal proceedings, on May 18, 2018, PSALM issued a Certificate of Effectivity of the Notice of Award originally issued in April 30, 2014 in favor to TPVI. Therafter, PSALM and TPVI executed the Asset Purchase Agreement and Land Lease Agreement of the NPPC.

On July 16, 2018, PSALM physically turned over the NPPC to TPVI. TPVI is currently working on the rehabilitation of the NPPC.

Cebu Private Power Corporation (CPPC)

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

CPPC is a joint venture company between AboitizPower and the Vivant Group. AboitizPower beneficially owns 60% of CPPC.

Southern Philippines Power Corporation (SPPC)

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

SPPC currently supplies power to electric utilities and cooperatives pursuant to PSAs approved by the ERC. These utilities and cooperatives pay SPPC on a monthly basis for the fuel costs, capital recovery, energy, and fixed and variable operations and maintenance fees as specified in the PSAs.

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

Western Mindanao Power Corporation (WMPC)

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

WMPC currently supplies power electric utilities and cooperatives pursuant to PSAs approved by the ERC. These utilities and cooperatives pay WMPC on a monthly basis for the fuel costs, capital recovery, energy, and fixed and variable operations and maintenance fees as specified in the PSAs.

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

Coal Group

Therma Luzon, Inc. (TLI)

Incorporated on October 20, 2009, TLI is a wholly-owned Subsidiary of TPI and was the first IPPA in the country and has been the registered trader of the contracted capacity of the 764-MW (2x382 MW) (gross) Pagbilao coal-fired thermal power plant located in Pagbilao, Quezon ("Pagbilao Plant" or "Pag1" and "Pag2") since October 1, 2009.

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

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

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

Pagbilao Energy Corporation (PEC)

Incorporated on April 30, 2012, PEC owns and operates third coal-fired power plant within the Pagbilao Plant facilities located in Pagbilao, Quezon with a net capacity of 400 MW ("Pag 3").

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

In 2014, PEC entered into an Engineering Procurement and Construction (EPC) contract with a consortium comprised of Mitsubishi Hitachi Power Systems Ltd., Daelim Industrial Co. Ltd., DESCO Inc. and Daelim Philippines Inc. for the project. It started commercial operations in March 2018.

Through TPI, AboitizPower owns 50% of PEC, while TPEC Holdings Corporation owns the remaining 50%.

Therma South, Inc. (TSI)

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

TSI declared commercial operations for Unit 1 and Unit 2 on September 2015 and February 2016, respectively. Formal inauguration of Unit 2 was held on January 8, 2016.

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

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

Therma Visayas, Inc. (TVI)

TVI is the project company for the 2x169 (gross) MW CFB coal-fired power plant located in Barangay Bato, Toledo City, Cebu.

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

In May 2014, TVI signed an EPC contract with Hyundai Engineering Co., Ltd. and Galing Power Energy Co., Inc. The 2x170-MW coal-fired power plant is currently in the testing and commissioning phase, but has experienced technical issues that will delay Commercial Operations Date (COD) of the first unit to June 2019 and the second unit to April 2019.

AboitizPower through TPI, effectively owns 80% of TVI. The remaining 20% is held by Vivant Group through Vivant Integrated Generation Corporation and Vivant Energy Corporation.

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

Incorporated on November 28, 2007, Abovant is a joint venture company between AboitizPower and Vivant Group. Abovant was formed as the holding company for shares in Cebu Energy.

Cebu Energy was incorporated on December 5, 2008 by Abovant and Global Formosa Power Holdings, Inc. (Global Formosa), a joint venture between Global Business Power Corporation and Flat World Limited, to own, operate and maintain a 3x82 MW CFB coal-fired power plant situated within the Toledo Power Complex in Barangay Daanlungsod, Toledo City, Cebu. The first 82 MW unit was commissioned in February 2010, while the second and third units were commissioned in the second and fourth quarter of 2010, respectively.

The Cebu Energy power plant in Toledo City completed its first full year of commercial operations in 2018. The power plant provides much-needed power to the province of Cebu and its neighboring province, Bohol.

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

Redondo Peninsula Energy, Inc. (RP Energy)

RP Energy was incorporated on May 30, 2007 to construct, own and operate the 2x300-MW (net) coal-filed power plant located in Redondo Peninsula of Subic Bay within the Subic Bay, Subic Bay Freeport Zone, Subic, Zambales.

RP Energy was originally a joint venture between AboitizPower and TCIC. MeralcoPowerGen acquired a majority interest in RP Energy by virtue of a share purchase agreement with TPI on July 22, 2011. AboitizPower, through TPI, and TCIC each retained a 25% stake in RP Energy.

STEAG State Power Inc. (STEAG Power)

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

While STEAG Power's pioneer status expired on November 14, 2012, its COC, on the other hand, was renewed by the ERC and is effective until August 2021.

AboitizPower has a 34% equity interest in STEAG Power following the purchase of said equity from Evonik Steag GmbH (now STEAG GmbH or STEAG), Germany's fifth largest power generator. STEAG and La Filipina Uy Gongco Corporation currently hold the remaining 51% and 15% equity, respectively, in STEAG Power.

GNPower Mariveles Coal Plant Ltd. Co. (GMCP)

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

The Mariveles Project is located within an industrial zone on a 60-hectare coastal site near the port of Mariveles, Bataan. The project site lies near the northern entrance to Manila Bay, providing easy and safe shipping access from the West Philippine Sea. The Mariveles Project commenced construction after execution of the equity and financing documentation, approval by the relevant government authorities and the initial drawdown under the non-recourse loan on January 29, 2010. It was declared commercially available in 2013 and currently supplies electric capacity to the Luzon and Visayas markets.

The electricity produced by the Mariveles Project is exported through a 230kV high voltage transmission line owned and operated by NGCP. Substantially all of the capacity of the Mariveles Project is contracted under long term power purchase agreements with highly-rated distribution utilities and Contestable Customers, through its designated RES, GNPower Ltd. Co.

In October 2016, TPI entered into Purchase and Sale Agreements for the acquisition of partnership interests held by affiliated investment funds of The Blackstone Group L.P. in World Power Holdings, L.P. (currently registered as Therma Mariveles Holdings L.P.) and Sithe Global Power, L.P. (currently registered as Therma Dinginin L.P.) Following the receipt of approvals from the Board of Investments (BOI) and the PCC, TPI completed the acquisition of GMCP and GNPD on December 27, 2016.

Begining October 13, 2017, through its general and limited partners, AboitizPower's, sharing percentage on: (i) profits and losses, and (ii) distributions, including net distributable liquidation proceeds, in GMCP is 66.0749%.

On March 7, 2018, AboitizPower completed the restructuring of its share ownership structure in GMCP by transferring its direct ownership of GMCP from the offshore subsidiaries of TPI to TPI itself, and the eventual dissolution and liquidation of the offshore intermediary subsidiaries that own the GMCP shares.

Effectively, the partnership interests in GMCP are owned by (i) TPI, (ii) ACE Mariveles Power Ltd. Co., a joint venture between between AC Energy, Inc. (ACE), a wholly-owned Subsidiary of Ayala Corporation, and Power Partners Ltd. Co. (Power Partners), and (iii) Power Partners.

GNPower Dinginin Ltd. Co. (GNPD)

GNPD is a limited partnership organized and established on May 21, 2014 with the primary purpose of: (i) developing, constructing, operating, and owning a 2x668 MW (net) supercritical coal-fired power plant to be located at Mariveles, Bataan; (ii) generating, selling and trading of electric power, importing machines, equipment, motor vehicles, tools, appurtenant spare parts, coal for fuel, lubricants, cleansing substances, and other necessary and related materials or chemicals; and (iii) obtaining, entering into and performing any and all contracts and engaging in any and all transactions consistent with the foregoing purpose.

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

GNPD's construction is being conducted in two phases: (i) the first phase is for Unit 1 and its associated ancillary facilities as well as the balance of plantand (ii) the second phase is for an additional identical 668MW (net) unit (Unit 2) and associated ancillary facilities.The electricity that will be produced by Unit 1 of GNPD will be exported through the existing 230kV high voltage transmission line owned and operated by NGCP. Eventually, energy from Unit 1 and Unit 2 will be exported through NGCP's 500kV high voltage transmission line once completed.

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

In 2018, AboitizPower, through TPI, restructured its share ownership structure in GNPD and transferred direct ownership of GNPD from the offshore subsidiaries of TPI to TPI itself. After the restructuring and as of December 31, 2018, TPI directly owns a 45% partnership interest in GNPD.

GNPD is co-developed by Powers Partners, ACE, and TPI.

Other Generation Assets

Cotabato Light maintains a stand-by 9.927-MW Bunker C-fired power plant capable of supplying approximately 15% of its requirements as of December 31, 2018.

Future Projects

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

DISTRIBUTION OF ELECTRICITY

The Aboitiz Group has more than 85 years of experience in the Philippine power distribution sector. With ownership interests in nine Distribution Utilities, AboitizPower is currently one of the largest electricity distributors in the Philippines. AboitizPower's Distribution Utilities collectively supply electricity to franchise areas covering a total of 18 cities and municipalities in Luzon, Visayas, and Mindanao.

As of December 31, 2018, the power distribution business' earnings contribution from AboitizPower's business segments is equivalent to 18%. The Distribution Utilities had a total customer base of 995,828 as of end-2018, compared to 954,300 in 2017, and 916,876 in 2016.

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

Company	Electricity Sold (MWh)			Peak Demand (MW)			No. of Customers		
	2018	2017	2016	2018	2017	2016	2018	2017	2016
Davao Light	2,468,192	2,317,985	2,173,373	421	404	380	404,574	384,434	367,782
Cotabato Light	165,409	153,973	146,678	31	29	27	41,681	41,110	38,924
VECO	3,159,032	2,938,532	2,922,950	547	522	524	437,823	422,814	408,586
SFELAPCO	665,425	623,607	588,985	134	116	117	107,536	101,942	97,847
SEZ	423,939	517,558	535,010	100	106	103	3,343	3,267	3,151
MEZ	123,276	114,272	111,486	22	21	21	85	83	82
BEZ	100,554	91,273	102,208	27	27	30	31	31	32
LEZ	224,175	197,908	165,481	39	33	28	755	619	472
Total	**7,330,002**	**6,955,108**	**6,746,171**	**1,320**	**1,258**	**1,230**	**995,828**	**954,300**	**916,876**

Visayan Electric Company, Inc. (VECO)

Incorporated on February 22, 1961, VECO is the second largest privately-owned distribution utility in the Philippines in terms of customer size and annual MWh sales. It supplies electricity to the greater part of Metro Cebu, covering an area of 674 square kilometers (sq. kms.) and with a population of approximately 1.7 mn. To date, VECO has 20 power substations and one mobile substation that serve the power needs of the cities of Cebu, Mandaue, Talisay, and Naga, and the municipalities of Minglanilla, San Fernando, Consolacion, and Liloan. As of December 31, 2018, VECO served a total of 437,823 customers and had a peak demand during 2018 of 525 MW.

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

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

VECO is part of the third group (Group C) of private distribution utilities to shift to Performance-Based-Rate-Setting Regulation (PBR). VECO entered into a PPA for the purchase of electric energy from CPPC for a period of 15 years starting from the commercial operation date of the latter. After its expiry in 2013, a new PSA was signed between VECO and CPPC and it is awaiting for ERC approval. The ERC, however, has allowed VECO to continue drawing power from CPPC under the same terms and conditions of the expired PPA until the ERC approves the 2013 PSA.

For its long term capacity requirement, VECO entered into a 15-year PSA with TVI for the supply of 150MW beginning in 2018. To reduce WESM exposure in 2016 until TVI's commercial operations have commenced, the company entered into a PSA with South Luzon Power Generation Company (SLPGC) for 50MW in 2016. The contract with SLPGC has expired last June 26, 2018.

With the Retail Competition and Open Access, some of VECO's customers who qualified as Contestable Customers who voluntarily migrated to RES. VECO continues to renegotiate the reduction of its bilateral contracts to account for the continued migration of Contestable Customers.

As of December 2018, VECO's systems loss is at 6.73%, which includes a feeder loss cap of 5.22%. This is below the government-mandated feeder loss cap of 6.5% which results to reduced power costs thereby providing more savings to the customer.

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

Davao Light is the third largest privately-owned electric distribution utility in the country in terms of customer size and annual kWh sales. Davao Light's franchise area covers Davao City, areas of Panabo City, and the municipalities of Carmen, Dujali, and Santo Tomas in Davao del Norte, with a population of approximately 1.8 mn and a total area of 3,561 sq. kms. As of December 2018, Davao Light served a total of 404,983 customers, with a recorded peak demand of 421MW.

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

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

In 2016, Davao Light signed a 60MW Power Supply Contract (PSC) with San Miguel Consolidated Power Corporation, subject to ERC approval. Davao Light also signed a 50MW firm power supply contract with Therma Marine Inc. and

55MW with Western Mindanao Power Corporation (WMPC) on October and November 2017, respectively, with a total capacity of 105MW. This is intended to supply Davao Light's power requirements during the drought months when the supply coming from NPC- PSALM is very limited.

Davao Light has several ongoing projects to improve the services within its franchise area. In July 2018, Davao Light started the works for the implementation of the 1st Phase of its Underground Distribution System which involves 1.2 kilometers of cables being migrated along CM Recto Street.

During the last quarter of 2018, Davao Light began a five-year partnership program with the local government of Davao City to replace all sodium lamps in Davao City with Light Emitting Diode (LED) lamps. The shift will reduce the city's energy consumption without compromising services.

During 2018, Davao Light has upgraded its R. Castillo and Panabo Substations to increase reliability and flexibility in the subtransmission line in the City-North area of Davao Light's franchise to match the power demand of the thriving economy of the franchise's north sector.

Davao Light also installed new 13.2 kV lines within the city's downtown and Calinan areas to increase reliability and provide additional capacity. It has also increased the capacity of its ERA Line 2 and has constructed and upgraded a total of 8.2 circuit kilometers of 13.8 kV line and 6 circuit kilometers of 69 kV line.

These projects are indication of the expected robust economic growth in the various areas within the Davao Light franchise.

The growth during 2018 resulted in total sales of 2,502,802 MWh, a total growth in energy sales of 5.75% and increase in demand of 6.37%.

Davao Light's systems loss at 7.03% in 2018 remains below the government-mandated cap of 8.5%. Systems loss below the mandated caps translates to reduced power costs, resulting in customer savings.

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

Davao Light is 99.93% owned by AboitizPower.

Cotabato Light and Power Company (Cotabato Light)

Cotabato Light and Power Company supplies electricity to Cotabato City and portions of the municipalities of Datu Odin Sinsuat and Sultan Kudarat, both in Maguindanao, with a land area of 191 sq. kms. During 2018, Cotabato Light's peak demand was recorded at 32 MW and is serving a total of 41,645 customers.

Cotabato Light began operations on June 18, 1939 by virtue of Commonwealth Act No. 487. In June 16, 2014, franchise was been renewed for another 25 years under RA 10637.

As of December 31, 2018, Cotabato Light has three substations of 12 MVA, 12.5 MVA, and 25 MVA. It is served by one 69-kV transmission line. Cotabato Light's distribution voltage is 13.8 kV. These lines can be remotely controlled using the Supervisory Control Data Acquisition (SCADA).

Cotabato Light also maintains a standby 4.45-MW Bunker C-fired plant capable of supplying approximately 15% of its franchise area requirements. The existence of a standby plant, capable of supplying electricity in cases of power supply problems with its power suppliers or the NGCP and for the stability of voltage whenever necessary, is another benefit available Cotabato Light's customers.

As of December 2018, its total systems loss stands at 8.46%, where 7.44% is the feeder loss. Cotabato Light is continuously innovating its strategies and process to reduce its system losses.

Cotabato Light utilizes the most up-to-date systems such as the Customer Care and Billing, Enterprise Resource Planning (ERP) and soon, the Work and Asset Management (WAM). Cotabato Light is committed to provide reliable and ample power supply when needed, ensure that the supply of electricity is provided and competitive price, and accomplish the first two duties with the least possible adverse effects on our environment and communities.

AboitizPower owns 99.94% of Cotabato Light.

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

SFELAPCO was incorporated on May 17, 1927 and was granted a municipal franchise in 1927. Its franchise in the City of San Fernando, Pampanga covers an area of 78.514 sq. kms. It supplies 35 barangays in the City of San Fernando, Barangays San Isidro and Cabalantian in Bacolor, Pampanga, 25 barangays in the municipality of Floridablanca, and one barangay in Guagua, Pampanga which includes 584.011 and 977.372 circuit-kilometers on its 13.8-kV and 240-volt distribution lines, respectively. During 2018, SFELAPCO's peak demand was recorded at 118,490 kW, and as of December 31, 2018 it was serving a total of 105,076 customers.

SFELAPCO's current legislative franchise was granted through RA 9967, for 25 years commencing on March 24, 2010. It belongs to the fourth batch (Group D) of private utilities to enter PBR whose reset process for the next regulatory period is put on hold by the ERC.

SFELAPCO's systems loss at 4.7751% remains below the government-mandated cap of 7.5% plus Subtransmission loss. Systems loss below the mandated caps translates to reduced power costs resulting in bigger customer savings.

AboitizPower owns an effective 43.78% interest in SFELAPCO.

Subic EnerZone Corporation (SEZ)

In May 2003, the consortium of AEV and Davao Light won the competitive bid to provide distribution management services to SBMA and to operate the SBFZ power distribution utility for a period of 25 years. On June 3, 2003, SEZ was incorporated as a joint venture company owned by a consortium comprised of Davao Light, AEV, SFELAPCO, Team Philippines, Okeelanta, and PASUDECO to undertake the management and operation of the SBFZ power distribution utility. Eventually, SEZ was formally awarded the contract to manage SBFZ's power distribution utility and took over operations.

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

In 2018, the contracted capacity of SEZ with TLI was carved down from 15.73 MW in 2017 and then reduced to 12.09 MW in December 2018. Similarly, its contracted capacity with San Miguel Energy Corporation was carved down from 4.2 MW in 2017 and reduced to 4.02 MW in December 2018.

The recorded peak demand during 2018 was 55.99 MW. As of December 31, 2018, SEZ served a total of 3,342 customers, consisting of 82 industrial locators, 1,168 commercial locators, 1,973 residential customers, 101 streetlights and 18 industrial locators under RES.

SEZ's systems loss at 2.64% in 2018 remains below the government-mandated feeder loss cap of 6.5%. Systems loss below the mandated caps translates to reduced power costs resulting in customer savings.

Together with Davao Light's interest of 35%, AboitizPower owns 100% of SEZ.

Mactan Enerzone Corporation (MEZ)

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

On June 8, 2007, AboitizPower entered into an agreement to acquire AboitizLand's 100% equity stake in MEZ, representing 8,754,443 common shares.

MEZ sources its power from SN Aboitiz Power-Magat and Green Core Geothermal Incorporated (GCGI) pursuant to a Contract for the Supply of Electric Energy (CSEE). Under this CSEE, GCGI is required to provide 4.957 MW to MEZ base load. SN Aboitiz Power-Magat is required to supply 4.957 MW with 50% load factor.

During 2018, MEZ recorded peak demand at 22.24 MW, and as of December 31, 2018 served a total of 85 customers, consisting of 53 captive industrial locators, 26 captive commercial locators, and six industrial locators under RES.

MEZ's systems loss at 0.99% in 2018 remains below the government-mandated cap of 8.5%. Systems loss below the mandated cap translates to reduced power costs resulting in customer savings.

AboitizPower directly owns 100% of MEZ.

Balamban Enerzone Corporation (BEZ)

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

As of February 2017, only the firm contract with Cebu Energy remained, since its other Contestable Customers have switched to RES.

BEZ's peak demand for 2018 was recorded at 27 MW and served a total of 31 customers composed of 14 captive industrial customers, 11 captive commercial customers, and six contestable industrial customers.

BEZ's systems loss at 0.50% in 2018 remains below the government-mandated cap of 8.5%. Systems loss below the mandated caps translates to reduced power costs resulting in customer savings.

AboitizPower directly owns 100% of BEZ.

Lima Enerzone Corporation (LEZ)

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

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

During 2018, LEZ recorded peak demand at 37 MW, and as of December 31, 2018 it served a total of 771 customers, consisting of 76 captive industrial locators, 21 captive commercial locators, 659 captive residential customers, and 15 industrial locators under RES.

LEZ's systems loss at 5.3% in 2018 remains below the government-mandated cap of 8.5%. Systems loss below the mandated cap translates to reduced power costs resulting in customer savings.

AboitizPower directly owns 100% of LEZ.

Malvar Enerzone Corporation (Malvez)

Malvez was incorporated on June 9, 2017 to serve and provide locators within the Light Industry & Science Park IV (LISP IV) of Malvar, Batangas. Malvez will manage the construction, installation, operation, and maintenance of the power distribution of LISP IV for 25 years. LISP IV will have two 50-MW transformers to provide reliable and quality power to locators, which are mostly from manufacturers and exporters.

AboitizPower directly owns 100% of Malvez.

RETAIL ELECTRICITY AND OTHER RELATED SERVICES

One of the objectives of electricity reform in the Philippines is to ensure the competitive supply of electricity at the retail level. With the start of retail competition and Open Access, large-scale customers are allowed to obtain electricity from RES licensed by the ERC.

Aboitiz Energy Solutions, Inc. (AESI)

Incorporated on August 11, 1998, AESI, a wholly-owned Subsidiary of AboitizPower, is engaged in the business of a retail energy supplier and energy consolidator. It was granted a license to act as a RES on November 9, 2009, which license was renewed on October 29, 2012 for another five years. Its application for renewal of RES license has been duly filed, and is currently pending with the ERC. At the start of commercial operations of Open Access on June 26, 2013, AESI served 42 customers. For the year 2018, AESI supplied retail electricity to a total of 185 customers, with total energy consumption of 2,326.56 mn kWh.

AESI was able to deliver a total of 346.56 mn kWh to its off-taker, VECO, during 2018.

Adventenergy, Inc. (AdventEnergy)

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

AdventEnergy differentiates itself from competition by sourcing electricity from a 100% renewable source. With this competitive advantage, more and more companies are opting to source their electricity supply from AdventEnergy as an environmental initiative.

During 2018, AdventEnergy supplied retail electricity to 83 customers with a total consumption of 1,944.48 mn kWh.

Prism Energy, Inc. (Prism Energy)

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

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

During 2018, Prism Energy supplied retail electricity to 37 customers with a total energy consumption of 155.90 mn kWh.

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

Incorporated on December 23, 2009, SN Aboitiz Power - RES is the RES arm of the SN Aboitiz Power Group. SN Aboitiz Power - RES caters to the Contestable Customer sector and electricity consumers using an average of at least 1 MW in the last 12 months across all industries under Open Access. It offers energy supply packages tailored to its customers' needs and preferences.

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

From a single customer in 2013, SN Aboitiz Power - RES has grown its customer base to 31 by the end of 2018, with a significant number of closed deals signed in 2017 and 2018. This growth can be attributed to the strategic focus of SN Aboitiz Power - RES on four major industry segments that allow it to tailor supply packages to customer segment needs and preferences.

Despite the challenging regulatory landscape in the Contestable and aggressive competition, SN Aboitiz Power - RES was still able to steadily carve an expanding market share. As of December 31, 2018, SN Aboitiz Power - RES accounts for 379 GWh or 31% of BCQ volumes which contributed ₱115 mn or 9.5% of BCQ net revenue.

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

FINANCIAL SERVICES

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

Union Bank of the Philippines (UnionBank or "The Bank")

UnionBank, originally known as "Union Savings and Mortgage Bank", was incorporated in the Philippines on August 16, 1968. On January 12, 1982, it was given the license to operate as a commercial bank. The Bank's common shares were listed in the PSE on June 29, 1992 and shortly after, it was granted the license to operate as a universal bank on July 15, 1992. The Bank became the 13th and youngest universal bank in the country in only its tenth year of operation as a commercial bank. UnionBank has undertaken two bank mergers, first with International Corporate Bank (Interbank) in 1994 and then with International Exchange Bank (iBank) in 2006.

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

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

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

The Bank's principal shareholders include AEV; SSS, a government-owned and -controlled corporation that provides social security to workers in the private sector; and Insular Life, one of the leading and largest Filipino-owned life insurance companies in the Philippines.

PETNET, Inc. (PETNET)

Incorporated on August 12, 1998, PETNET is primarily engaged in providing money transfer services as a direct agent of Western Union. In conjunction with Western Union Business Solutions, it offers services that enable local businesses to make international payment transactions in over 140 currencies. PETNET is a BSP-licensed remittance agent, money changer, and foreign exchange dealer. Apart from the Western Union money transfer service, PETNET offers money changing, bills payment, airline ticketing, personal accident insurance, and e-loading in its company-owned locations. Since 2015, PETNET has been an outsourced service provider of CitySavings for facilitating and accepting applications for DepEd salary loans and Government Service Insurance System (GSIS) pension loans.

On February 9, 2018, CitySavings and Union Properties, Inc. executed a sale and purchase agreement to acquire AEV's 51% equity interest in PETNET, in order to consolidate the Group's financial services under UnionBank. The sale was approved by the PCC on May 8, 2018, and the investment of CitySavings in PETNET was approved by the BSP on November 23, 2018.

FOOD MANUFACTURING

Pilmico Foods Corporation (Pilmico)

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

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

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

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

Pilmico Animal Nutrition Corporation (PANC)

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

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

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

Filagri, Inc. (Filagri)

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

Pilmico effectively owns a 100% equity interest in Filagri.

AEV International Pte. Ltd. (AEV International)

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

Pilmico International Pte. Ltd. (Pilmico International)

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

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

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

In 2018, Pilmico International acquired a 75% equity stake in GCMH, the holding company of the Gold Coin Group and one of Asia's largest privately-owned agribusiness corporations, which operates mills across seven countries in Asia, including South China. The Gold Coin Group acquisition is Pilmico International's largest investment in the Asia-Pacific region to-date.

In 2019, PAN-JSC was integrated into the Gold Coin Group. Gold Coin Singapore Services, a wholly-owned Subsidiary of GCMH, acquired 100% of PAN-JSC. This mill is expected to supplement the growing animal feeds requirement in South Vietnam.

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

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

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

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

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

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

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

Pilmico Animal Nutrition Joint Stock Company (PAN-JSC)

In August 2017, Pilmico International successfully acquired a 70% equity stake in an animal feed mill operator, Europe Nutrition Joint Stock Company ("Eurofeed"). Eurofeed was later on renamed as Pilmico Animal Nutrition Joint Stock Company ("PAN-JSC"). On December 2018, the Pilmico International's ownership stake in PAN-JSC was sold to Gold Coin Singapore Services, Pte. Ltd. as part of the ongoing integration between the businesses of Pilmico and the Gold Coin Group.

International Animal Nutrition

Gold Coin Management Holdings Limited (GCMH)

In July 2018, Pilmico International acquired a 75% equity stake in GCMH. It is a major producer of animal feeds and operated 20 livestock and aqua feed mills across 11 countries in Asia Pacific. It enjoys lead market positions in key Asian markets and long-term client loyalty. Combined with the Gold Coin Group, Pilmico International expects to become a comprehensive animal nutrition platform across the Asia-Pacific region, with competitive advantages in terms of delivering scientifically balanced livestock and aqua feeds, and specialty nutrition products.

GCMH is an investment holdings company incorporated under the laws of the British Virgin Islands on January 5, 2000. GCMH is the parent holding entity, through which all investments in the Gold Coin Group are held.

a. British Virgin Islands

Gold Coin Aqua Feed Incorporated (GCAFI) is a wholly-owned Subsidiary of GCMH incorporated under the laws of the British Virgin Islands on May 6, 2008. GCAFI is an investment holdings company, which owns 100% equity interests in Gold Coin Aqua Feed (Singapore) Pte. Ltd. (formerly Syaqua Singapore Pte Limited) and Gold Coin Aqua Feed (Hong Kong) Ltd. (formerly SYA Holdings (HongKong) Limited).

b. Singapore

GCMH Subsidiaries in Singapore are engaged in: (i) management and consultancy services such as Gold Coin Services Singapore Pte. Ltd. (GCSS); (ii) investment holdings such as Gold Coin Aqua Feed (Singapore) Pte Ltd (formerly Syaqua Singapore Pte Limited), Comfez Ltd (CFL), and FEZ Animal Nutrition Pte. Ltd, Inc. (FEZ); and (iii) commodity trading or procurement of raw materials such as APAC Commodities Pte Ltd (APAC) and Comfez Pte Ltd. (CPL).

c. China and Hong Kong

In China and Hong Kong, GCMH's subsidiaries are engaged in the business of: (i) management and consulting services and general trading such as GC Investment Holdings Limited (GCIH) and Gold Coin Group Limited (GCG); (ii) manufacture and sales of animal and aqua feeds with production mills such as Gold Coin (Zhanjiang) Co Ltd (GCZJ), Gold Coin (Zhangzhou) Co Ltd (GCZZ), Gold Coin (Zhuhai) Co Ltd (GCZH), Gold Coin Feedmill (Kunming) Co Ltd (GCKM), Gold Coin Feedmill (Dongguan) Co. Ltd. (GCDG); and (iii) investment holdings such as Gold Coin Management (ShenZhen) Co Ltd. (GCSZ) and Gold Coin Aqua Feed (Hong Kong) Ltd.

d. Indonesia

There are four GCMH Subsidiaries that are located in Indonesia, namely: PT Gold Coin Specialities (GCSI), PT Ayam Unggul (PT Ayam), PT Gold Coin Indonesia (GCI), and PT Gold Coin Trading Indonesia (GCTI). These subsidiaries are engaged in the manufacturing and sales of animal feeds, hatching and breeding of day-old chick (DOC), importation of feeds, and prawn nutrition.

e. Malaysia

GCMH Subsidiaries in Malaysia are engaged in the business of manufacture and sales of animal feeds, which includes fish meals, commodity trading, management and consulting services, as well as in investment holdings. These are: Gold Coin Malaysia Group Sdn Bhd (GCMG), Gold Coin Feedmills (Malaysia) Sdn Bhd (GCFM), Gold Coin Feedmill (Sabah) Sdn Bhd (GCFS), Golden Livestock Sdn Bhd (GLS), Bintawa Fishmeal Factory Sdn Bhd (BFF), Gold Coin Sarawak Sdn Bhd (GCS), Gold Coin Holdings Sdn. Bhd. (GCSHB), Gold Coin Sabah Sdn. Bhd. (GCSAB), Gold Coin Specialities Sdn Bhd (GCSSB), and FEZ Animal Nutrition (Malaysia) Sdn. Bhd.

f. Vietnam

The subsidiaries in Vietnam are enaged in the business of manufacturing and sales of animal feeds, and in special nutrition mitrotoxin binding production. These are Gold Coin Feedmill (Dong Nai) Co Ltd (GCFD), American Feed Co Ltd (AFC), and Gold Coin Feedmill (Hanam) Co Ltd (GCFHN).

g. Thailand

There are two Subsidiaries of GCMH that are located in Thailand, namely, Klean Greentech Co. Ltd. (KGT) and Gold Coin Specialities (Thailand) Co Ltd. (GCST), also engaged in the the manufacturing and sales of aqua feeds, as well as in the business of special nutrition mitrotoxin binding production.

h. Sri Lanka

Gold Coin Feed Mills (Lanka) Ltd (GCFL) is a 60% owned Subsidiary of GCMH incorporated under the laws of Sri Lanka on December 29, 1992. It is engaged in the manufacturing and sales of animal feeds.

i. Myanmar

Myanmar Gold Coin International Co. Ltd. (MGCI) is a wholly-owned Subsidiary of Gold Coin Services Singapore Pte. Ltd. incorporated under the laws of Myanmar on September 5, 2013. It is engaged in animal and aqua feeds manufacturing.

j. Pakistan

FEZ Animal Nutrition Pakistan (Private) Limited is a wholly-owned Subsidiary of FEZ Animal Nutrition Pte. Ltd. incorporated under the laws of Pakistan on April 30, 2018. FEZ Animal Nutrition Pakistan (Private) Limited is engaged in the trading of feed additives.

k. Philippines

FEZ Animal Nutrition Philippines, Inc. is a 40% owned Subsidiary of FEZ Animal Nutrition Pte. Ltd. incorporated under the laws of the Philippines on July 27, 2018. FEZ Animal Nutrition Pakistan (Private) Limited is engaged in business of animal feeds.

l. Brunei

Gold Coin FeedMill (Brunei) Sdn Bhd (GCFB) is 20% owned Subsidiary of GCMH incorporated under the laws of Brunei on December 23, 2009. Gold Coin FeedMill (Brunei) Sdn Bhd is engaged in the manufacturing and sales of animal feeds.

REAL ESTATE

Aboitiz Land, Inc. (AboitizLand)

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

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

AboitizLand is a wholly-owned Subsidiary of AEV.

Cebu Praedia Development Corporation (CPDC)

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

CPDC is a wholly-owned Subsidiary of AEV.

Cebu Industrial Park Developers, Inc. (CIPDI)

CIPDI is a joint venture company between AboitizLand and the Kambara Group from Japan, through its wholly-owned Subsidiary, Tsuneishi Holdings (Cebu), Inc. Incorporated on June 15, 1992, CIPDI began operations in 1993 with the development and operation of WCIP in Balamban, Cebu. WCIP is a 282-hectare industrial zone, catering to medium to heavy industries such as shipbuilding, ship recycling facilities, iron and steel manufacturing plants, and allied activities. WCIP currently has 15 locators that employ approximately 15,800 employees. On April 2017, the joint venture brought to market the first phase of its 250-hectare sustainable mountain town community, Foressa, also located in Balamban, Cebu.

AboitizLand owns a 60% equity interest in CIPDI.

Propriedad del Norte, Inc. (PDNI)

Incorporated on March 1, 2007, PDNI is engaged in the purchase and development of real estate. PDNI's current land bank stands at 67 hectares, all of which are located in Liloan, Cebu.

PDNI is a wholly-owned Subsidiary of AboitizLand.

Lima Land, Inc. (LimaLand)

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

Each year, LimaLand has continuously expanded LTC to cater to new investors. The first expansion of 50-hectare property in 2015 is already fully occupied by new locators. The second and third expansions totalling approximately 70 hectares were completed in 2017 to accommodate new investors and the expansion requirements of existing locators. LimaLand's ongoing construction of its fourth expansion, with an additional 50 hectares, will be made available to new and existing locators by the first quarter of 2020. Simultaneously, it is currently on the design phase of its fifth expansion that will add another 47 hectares of inventory.

AboitizLand envisions LTC to be a total township project, combining the concepts of an integrated city and an environment for wholesome living. In 2016, AboitizLand launched The Outlets at Lipa. It is a 9.3-hectare commercial development located inside LTC, aimed to complement the industrial estate by offering outlet shops, restaurants, and leisure places for the ecozone employees and neighboring communities. The Outlets first phase was opened to the public in December 2018. To complete its retail offering, AboitizLand broke ground its Lima Exchange project on December 7, 2018. This will host a supermarket and a terminal for public transport.

In 2019, AboitizLand also intends to launch its first residential project – The Villages in Lipa. This is planned as a 50 hectare project that will host 2,500 housing units in three villages targeting the upper mid and mid markets.

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

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

Cebu District Property Enterprise Inc. (CDPEI)

Incorporated on February 20, 2014, CDPEI is a joint venture between Ayala Land and AboitizLand. Committed to its goal of nurturing communities, AboitizLand partnered with Ayala Land to plan and develop Gatewalk Central – a 17-hectare mixed-use project in Mandaue City, Cebu. The partnership leverages the strengths of both companies, as it brings together AboitizLand's deep-rooted real estate experience in Cebu and Ayala Land's proven track record in developing master-planned and sustainable communities.

Having broken ground in 2016, Gatewalk Central is expected to become a growth center in Mandaue, featuring innovative residential developments complemented by commercial retail and office spaces.

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

INFRASTRUCTURE

Aboitiz InfraCapital, Inc. (Aboitiz InfraCapital)

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

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

Another key area of interest for Aboitiz InfraCapital are infrastructure projects. In 2015 and 2016, the Company, through its infrastructure investment arm, participated in the initial bid process for two of the government's Public-Private Partnership Projects: (i) LRT Line 2, and (ii) Laguna Lake Expressway-Dike projects. During 2018, Aboitiz InfraCapital submitted two unsolicited proposals to the DOTr involving the rehabilitation and expansion of: (i) the Ninoy Aquino International Airport (NAIA), as part of a consortium of seven of the country's major conglomerates in the country; and (ii) four regional airports: Iloilo International Airport, Bacolod-Silay Airport, Laguindingan Airport, and New Bohol International Airport in Panglao. Later in 2018, the DOTr granted the Original Proponent Status to the NAIA and New Bohol International Airport rehabilitations. On February 26, 2019, the Civil Aviation Authority of the Philippines (CAAP) granted Original Proponent Status to the Laguindingan Airport project.

Aboitiz InfraCapital is a wholly-owned Subsidiary of AEV.

Lima Water Corporation (LWC)

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

Aboitiz InfraCapital owns a 100% equity interest in LWC.

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

AEV, in partnership with CRH plc, formed two investment vehicles for their infrastructure projects, AEV CRH and CRH Aboitiz, incorporated in July 2015. On September 15, 2015, CRH Aboitiz acquired equity interests in Republic Cement Services, Inc. (RCSI) (formerly Lafarge Cement Services Philippines, Inc.).

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

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

Republic Cement & Building Materials, Inc. (RCBM)

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

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

On September 26, 2016, AEV CRH's equity interest in RCBM increased to 99.37% following the increase in the par value and decrease in its authorized capital stock. RCBM's number of shareholders also fell below 200, thereby it ceased to be a public company. In its Order of Revocation dated January 4, 2017, the SEC granted RCBM's application for Voluntary Revocation of Registration of Securities and Certificate of Permit to Sell Securities. AEV CRH's equity interest in RCBM has since increased to 99.40% through the purchase of three shares of minority shareholders.

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

RCBM owns 94.63% of Republic Cement Iligan, Inc. (formerly Lafarge Iligan, Inc.) and 99.75% of Republic Cement Mindanao, Inc. (formerly Lafarge Mindanao, Inc.).

Republic Cement Mindanao, Inc. (RCMI)

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

On December 29, 2017, RCBM's equity interest in RCMI increased from 99.63% to 99.75% following the increase in the par value and decrease in RCMI's authorized capital stock. RCMI's number of shareholders also fell below 200. In its Order dated April 6, 2018, the SEC granted RCMI's application for Voluntary Revocation of Registration of Securities and Certificate of Permit to Sell Securities.

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

Republic Cement Iligan, Inc. (RCII)

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

RCII manufactures cement for RCMI. The company's operating cement manufacturing plant is located in Barangay Kiwalan, Iligan City. RCBM has a 94.63% equity interest in RCII.

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

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

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

Republic Cement Services, Inc. (RCSI)

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

Apo Agua Infrastructura, Inc. (Apo Agua)

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

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

A unique component of the project is a pioneering innovation which utilizes the "water-energy nexus" concept. The bulk water treatment facility will be powered by its own run-of-river hydropower plant. Following the execution of the engineering, price, and construction contract last February 6, 2018, the project commenced on the implementation of the advanced works in March 21, 2018.

On November 29, 2018, Apo Agua signed a ₱9 bn Omnibus Notes Facility and Security Agreement with a consortium of lender-banks, arranged by BPI Capital Corporation, to finance the construction phase of the Davao City Bulk Water Supply Project (DCBWSP).

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

OTHER INVESTMENTS

AEV's other investments include holdings in: (a) aviation through AEV Aviation, Inc., (b) underwriting of its insurable risks through Archipelago Insurance Pte. Ltd., and (c) portfolio investments abroad through AEV International (discussed in page 69 of this Information Statement).

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

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

Archipelago Insurance Pte. Ltd. (Archipelago Insurance)

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

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

AEV Aviation, Inc. (AEV Av)

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

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

AEV Av operates under the strictest safety measures and complies with all government aviation policies and the aircraft manufacturers’ mandated maintenance procedures. It has 18 employees, who are tasked to serve the aviation needs of the executives of AEV and its Subsidiaries and Affiliates all over the Philippines. All of AEV Av’s pilots and maintenance personnel undergo rigid trainings. This ensures that AEV Av’s employees are armed with the latest knowledge and skills in aviation technology.

(ii) Sales

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

	2018	2017**	2016*
Gross Income	₱186,943	₱150, 422	₱116,415
Operating Income	₱39,162	₱36,576	₱28,921
Total Assets	**₱554,588**	**₱492,244**	*** ₱466,308**

Note: *Values in the above table are in mn.*
** 2016 Total Assets and other Balance Sheet accounts have been restated to effect the adjustments arising from the finalization in 2017 of the purchase price allocation on the acquisition of GMCP in 2016.*
*** 2017 Investments and Advances and Retained Earnings accounts have been restated in 2018 to consider AEV’s share in the prior-period adjustments of an associate.*

The operations of AEV and its Subsidiaries are based largely in the Philippines. In 2018, following the acquisition of the Gold Coin Group which has operations in 11 Asia-Pacific countries, foreign sales accounted for 12.3% of AEV's consolidated revenues and foreign operations contributed 1.5% to AEV's consolidated net income for the year ended 2018. A significant portion of the foreign sales was from Gold Coin Group's operations in China, Malaysia, Indonesia, and Vietnam. In contrast, foreign sales comprised 2.4% and 2.7% of AEV's consolidated revenues for 2017 and 2016, respectively, and foreign operations contributed 1.2% and 0.9% to AEV's consolidated net income for 2017 and 2016, respectively. Bulk of 2017 and 2016 foreign sales was generated from the operations of Pilmico Feeds in Vietnam.

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

	2018		2017		2016	
Power Distribution & Generation	₱131,572	70%	₱119,391	79%	₱89,163	76%
Food Manufacturing	₱50,253	27%	₱26,230	17%	₱23,702	20%
Financial Services	₱645	0%	₱742	0%	₱550	0%
Real Estate	4,001	2%	₱3,674	2%	₱2,441	2%
Infrastructure	₱96	0%	₱34	0%	-	-
Parent & Portfolio	₱1,819	1%	₱1,647	1%	₱1,581	1%
Total Revenues	₱188,386	100%	₱151,718	100%	₱117,438	100%
Less: Elimination	₱1,443		₱1,297		₱1,023	
Net Revenues	**₱186,943**		**₱150,422**		**₱116,415**	

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

(iii) Distribution Methods of the Products or Services

POWER GENERATION AND DISTRIBUTION

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

Currently, SN Aboitiz Power-Magat, SN Aboitiz Power-Benguet, and TLI have ASPAs with NGCP as AS providers. The SN Aboitiz Power Group delivers regulating, contingency and dispatchable reserves, as well as blackstart service through its three power plants, namely Ambuklao Hydro, Binga Hydro, Magat Hydro plants. TLI offers contingency reserve under its ASPA. In March 26, 2018, the ERC approved TMI's ASPA with NGCP for a maximum period of five years. TMI provides both contingency and dispatchable reserves to the Mindanao Grid.

In addition, the Hedcor Tudaya Hydro 2, Hedcor Irisan Hydro 1, and Hedcor Sabangan plants, all in commercial operations, have been approved for inclusion in the FIT system for run-of-river HEPPs. Hedcor, Hedcor Tudaya, and Hedcor Sabangan, the companies that own and operate the foregoing plants, have entered into REPAs with Transco, in its capacity as FIT-All Administrator, for the collection and payment of the FIT. The power generated by Hedcor Tudaya 2 is covered by a Renewable Energy Supply Agreement. Currently, HBI is applying for FIT eligibility of the 68.8-MW Manolo Fortich hydro powerplants in Bukidnon province.

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

On the other hand, AboitizPower's Distribution Utilities have distribution franchises in the areas where they operate. Each Distribution Utility has a distribution network consisting of a widespread network of predominantly overhead lines and substations. Customers are classified according to voltage levels based on their electricity consumption and demand. Large industrial and commercial consumers receive electricity at distribution voltages of 13.8 kV, 23 kV, 34.5 kV and 69 kV, while smaller industrial, commercial and residential customers receive electricity at 240 V or 480 V.

All of AboitizPower's Distribution Utilities have entered into transmission service contracts with the NGCP. These contracts allow the Distribution Utilities to use the NGCP's transmission facilities to receive power from their respective Independent Power Producers (IPP), the NPC, or PSALM for distribution to their respective customers. All customers that connect to the Distribution Utilities' distribution lines are required to pay a tariff approved by the ERC.

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

FINANCIAL SERVICES

Union Bank of the Philippines

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

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

Branch Network. UnionBank and its Subsidiaries ended December 2018 with 433 branches nationwide. Select branches are located in strategic areas within and outside of Metro Manila to maximize visibility and expand customer reach. The branches have user-friendly terminals and a web-based Signature Verification System (SVS) which promote efficient processing of teller transactions. Customers can do over-the-counter (OTC) cash deposit and withdrawals, and check deposit and encashment at any UnionBank branch. High-volume transaction branches are provided with Transaction Assistant Portal, an in-house developed self-service innovation, which aims to facilitate faster processing time through paperless transactions and use of a card that stores bills payment and account information. UnionBank's Check Verification System utilizes Philippine Clearing House Corporation's check images, and is instrumental in enabling fast and reliable check clearing. In 2017, the Bank also launched its concept branch called "The Ark". It is a completely digital and paperless branch which allows for straight-thru processing of transactions, and at the same time, houses branch ambassadors for product discovery and advisory services. It will be UnionBank's platform for innovative development and customer experiences as it shifts utilizing branches from transactional spaces to interactional spaces.

ATM Network. UnionBank and its Subsidiaries' network of 389 ATMs as of end-December 2018, supplements its branch network by providing 24-hour banking services to its customers. Customers are given access to ATM facilities through ATM cards, which are issued to checking and savings account holders. UnionBank's interconnection with the Bancnet ATM consortium, allows its cardholders to access almost 13,000 ATMs nationwide. In addition, UnionBank's ATM card functions as a VISA debit card that allows electronic purchase and payment transactions.

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

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

Mobile and E-Banking. UnionBank Online, launched in August 2017, is the new online and mobile banking platform for the Bank's customers. It is designed with an omni-channel user experience wherein the same look and feel applies to different touchpoints (website and mobile app), operating systems (Android or IOS) and device types. UnionBank Online enables the Bank's customers to sign up, transact, view their account information, and update their details online without visiting a branch or ATM, or messaging or calling the Bank's call center. UnionBank

Online also allows customers to customize account viewing, manage transaction limits, transfer funds to other banks via PESONet and Instapay, and many more.

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

PETNET, Inc.

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

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

FOOD MANUFACTURING

The rapid population and urbanization of the Asia Pacific Region will and the changing dietary habits in Asia with increased preference on processed food, and growing consumption of poultry and pork as sources of protein are among the key factors that boost demand for animal feeds and feed additives across the Asia-Pacific region.

With the acquisition of GCMH, the Company's food group has developed an Asia Pacific-wide distribution chains and sales network that it believes will be an added competitive advantage. Through GCMH, the Aboitiz Group's food manufacturing business gained access to a comprehensive platform with an extensive distribution and sales network spread across 11 countries in the Asia-Pacific Region.

The Gold Coin Group has established relationships with customers, offering a number of brands of livestock and aqua feeds products with top quality feed formulation across various key markets. Moreover, in 2018, the Gold Coin Group launched a sales optimisation program to introduce a centrally designed sales program with aim to integrate livestock operation, distribution, and sales channels to expand its specialty nutrition and aqua feeds. Taking advantage of this program, the Company's Food Group can now develop a stronger and multi-branded one-stop shop platform of animal nutrition products to address the demands of its wide range of customers across the Asia-Pacific Region.

REAL ESTATE

Since the early 1990s, AboitizLand has developed upper-mid to high-end residential subdivisions, focusing on horizontal (lot-only and/or house-and-lot) products. Having expanded its portfolio to include mid-market residential products, AboitizLand has also introduced many firsts to Cebu's real estate scene: (a) the New Urbanism concept of live-work-play in the large master-planned community of Pristina North; (b) Zen living, which takes off from the spa lifestyle trend, in Kishanta; (c) the commercial and residential "urban village" that is The Persimmon; (d) the introduction of shophouses as a residential product in Ajoya; (e) fully-furnished affordable units in an all-studio residential tower that is The Persimmon Studios; (f) Asian Contemporary designed units in Almiya; and (g) Amoa, inspired by traditional Filipino residences. In 2017, AboitizLand reached a key milestone as it launched its first residential project in Luzon, the Seafront Residences - a beachside community located in San Juan, Batangas.

A critical component to AboitizLand's overall success, the industrial business unit, comprised approximately 62% of its total revenues in 2018. Furthermore, approximately 81% of the industrial business unit's revenue was contributed by LimaLand, which was fully acquired by AboitizLand in 2014. Additionally, AboitizLand is a registered developer/operator of MEZ II, where it leases land and provides utility services to locators inside the economic zone under a

BOT Agreement with MCIAA. The 63-hectare zone is home to 49 light-to-medium manufacturing locators and is fully leased out.

The commercial business unit, which comprised 4% to AboitizLand's revenues for the year, focuses on neighborhood retail and service hubs that complement AboitizLand's existing industrial and residential developments. With the growth of the Business Process Outsourcing (BPO) sector, AboitizLand launched iMEZ in 2009, its first BPO office building, thereby expanding its product line. In 2013, AboitizLand successfully launched its first outlet development in Visayas and Mindanao region, The Outlets at Pueblo Verde, which offers 20%-75% discounts on global brand merchandise year-round.

Additionally, AboitizLand offers property management services to support not only its own business units, but also those of the other companies within the Aboitiz Group. These services cover community security, site and infrastructure maintenance, village activities and policy administration.

INFRASTRUCTURE

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

(iv) New Products/Services

POWER

Other than the ongoing Greenfield and/or rehabilitation projects undertaken by AboitizPower's Generation Companies, AboitizPower and its Subsidiaries do not have any publicly announced new products or services as of the date of this report.

FINANCIAL SERVICES

UnionBank offers a broad range of products and services, which include deposit and related services; corporate and middle market lending, consumer finance loans such as mortgage, auto, and salary loans, and credit cards; investment, treasury, and capital markets; trust and fund management; and remittance, cash management, and mobile banking. In addition, the Bank offers estate planning solutions and a global and diversified multi-asset fund to its high-net-worth and ultra-high-net-worth clients through its partnership with Lombard Odier, and various life insurance products through its bancassurance partnership with Insular Life.

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

REAL ESTATE

Pursuant to its goal to grow and expand nationwide, in September 2018 AboitizLand launched two new residential projects in Luzon – Ajoya Capas (13 hectares) and Ajoya Cabanatuan (20 hectares). The Ajoya brand represents AboitizLand's flagship mid-market residential product, featuring modern housing units inspired by the "Bahay na Bato" concept, and amenities such as town plaza, clubhouse, and pocket parks among others.

Following the development of The Outlets at Pueblo Verde in Cebu, AboitizLand is expanding its commercial business through the Outlets at Lipa, which began operations in late 2018. The Outlets at Lipa is AboitizLand's first commercial project in Luzon, and is considered to be the largest outlet-format development in the Philippines.

FOOD

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

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

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

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

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

International Animal Nutrition

The Gold Coin Group provides nutritional solutions and onsite technical support to customers to optimize aquaculture and farm production across the Asia-Pacific Region. As of 2018, the group has an existing 17 livestock feed mills in six countries (China, Indonesia, Malaysia, Vietnam, Sri Lanka, and Brunei); four aqua feed mills in three countries (Indonesia, Malaysia, and Thailand); and offers specialty nutrition across six countries (Malaysia, Sri Lanka, Philippines, China, Pakistan, and Myanmar). Meanwhile, research and development activities are supported by five research farms located in Malaysia, Indonesia & China, covering both Livestock and Aqua products. Its production facilities are ISO 22000/HACCP certified.

The Gold Coin Group intends to introduce innovative new products, product variants, and line extensions in the livestock and aquaculture feeds segments. In 2018, the group introduced its entry to the young animal and pet food segment for its livestock portfolio, and enhanced nutritional specifications for shrimp feeds, and fish feed additives for its aquaculture portfolio. The group also relies on technological innovation and feed re-formulation in order to maximize profits. The capabilities of the Gold Coin Group will allow the Food Group to develop a stronger and multi-branded platform of animal nutrition products to address the demands of a wide range of customers across the Asia-Pacific Region.

(v) Competition

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

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

GENERATION BUSINESS

The Open Access regime and additional capacities from new power plants have led to a steady but significant increase in competition over the last five years. As of the date of this report, DC 2015-06-010 and the four ERC issued RCOA resolutions in 2016 regarding Open Access are still subject of a TRO at the Supreme Court.

PEC, which is AboitizPower's joint venture with TeaM Energy, brought a considerable increase in its capacity in 2018 after Pag3 began its retail and commercial operations in March 2018. The Manolo Fortich hydro power plants started its commercial operations and contributed an additional 68.8 MW into the net attributable capacity of AboitizPower during 2018.

In 2019, AboitizPower expects to add 860MW to its attributable capacity through its ongoing projects. With this project pipeline, AboitizPower is closer to its target of 4,000 MW net attributable capacity in 2020. This target already includes its 40% beneficial share in the Bataan project of GNPD.

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

RETAIL ELECTRICITY SUPPLY BUSINESS

Based on ERC's Competitive Retail Electricity Market Monthly Statistical Data as of November 2018, there are 30 licensed RES companies and 25 Local RES companies participating in the Open Access market in Luzon and Visayas. The Meralco group, through its RES companies, has the largest market share, at 31.33%. The AboitizPower Group, through its RES companies, has the second-largest market share, at 19.53%.

From December 2016 through early 2017, RES companies geared up in anticipation of the reduction of the threshold for contestability of 1 MW to 750 kW, and further down to 500 kW. At that point in time, switching to the Open Access regime was mandatory for captive customers with levels of demand at those thresholds. A TRO on the mandatory switching was executed, however, in the first quarter of 2017, which also put a halt to the lowering of the contestability thresholds. With issuance of the TRO, the switch of Contestable Customers continues to be allowed by the DOE (through Department Circular No. 2017-12-0013 published on December 12, 2017), on a voluntary basis for Contestable Customers with an average peak demand of 750 kW and above. This substantially reduced the pool of customers that the numerous RES companies can vie for, and thus intensifying the level of competition.

The increase in the number of power plants, the number of RES companies, and volatile oil and coal prices have also increased the level of competition in the Open Access market. RES companies have resorted to both aggressive pricing and contractual concessions. AboitizPower's believes that its portfolio, consisting of different types of energy sources with a mix of renewables and non-renewables, allows its to be flexibile in both pricing and reliability of supply, thus enhancing its competitiveness.

DISTRIBUTION UTILITIES BUSINESS

Each of AboitizPower's Distribution Utilities currently have an exclusive franchise to distribute electricity in the areas covered by their respective franchises.

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

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

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

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

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

On November 29, 2017, DOE promulgated Department Circular No. 2017-12-0013 entitled "Providing Policies on the Implementation of Retail Competition and Open Access (RCOA) for Contestable Customers in the Philippine Electric Power Industry." The circular provides, inter alia, that (i) upon its effectivity, all Contestable Customers with a monthly average peak demand of 750 kW and above, for the preceding twelve months, may participate in the Contestable Market; (ii) by June 26, 2018 or on an earlier date specified by the ERC, all eligible electricity end-users to become Contestable Customers with a monthly average peak demand of 500 kW to 749 kW for the preceding twelve months may voluntarily participate in the Contestable Market; and (iii) by December 26, 2018 or on an earlier date specified by the ERC, electricity end-users within a contiguous area whose aggregate average peak demand is not less than 500 kW for the preceding twelve-month period may aggregate their demand to be part of the Contestable Market and may voluntarily enter into RSC with the Aggregators. The circular also provides the list of entities that may become RES, and stipulates that distribution utilities may provide electricity services to Contestable Customers within its franchise area as a local RES upon authorization from the ERC.

Despite the foregoing DOE issuances, the lack of nuance in the TRO issued by the Supreme Court created a blanket prohibition against the implementation of every provision in these issuances. As a result, ERC has restrained themselves from issuing RES Licenses, for fear that it might be cited in contempt.

FINANCIAL SERVICES

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

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

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

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

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

FOOD MANUFACTURING

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

International Animal Nutrition

The animal nutrition business is described as highly competitive and competition varies by country and product segment. The Gold Coin Group considers quality consistency, brand recognition and awareness, and the distribution network as the principal competitive factors that affects the group.

The Gold Coin Group’s principal competitors on the livestock feeds are the following: Charoen Pokphand Group, Japfa Comfeed, Cargill, and Proconco.

The Gold Coin Group’s principal competitors on the aqua feeds are the following: Charoen Pokphand Group, Suri Tani Pemuka (STP), and Thai Union

The Gold Coin Group relies on innovation and synergies among Affiliates in order to address these risks.

REAL ESTATE

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

INFRASTRUCTURE

The main competitors of the RCBM Group for its cement products consist of the cement manufacturers in the Philippines, as well as traders who import cement into the Philippines.

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

(vi) Sources of Raw Materials and Supplies

Power Generation Business

The Power Generation Companies produce energy using the following fuel types: hydropower, geothermal, solar, coal, and oil. In 2018 renewable fuel sources comprised 29% of its production, while fossil fuel accounted for 71%.

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

APRI's steam requirement for its geothermal power generation continues to be supplied by the PGPC. The terms of the steam supply are governed by a Geothermal Resource Sales Contract (GRSC) under which price of steam is ultimately indexed to the Newcastle Coal Index and the Japanese Public Utilities coal price. APRI and PGPC signed a new agreement on August 24, 2018 under which PGPC will drill 12 new production wells over the next six years and that the costs shall be completely pegged to the market price by September 26, 2021.

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

TLI has long-term coal supply contracts for the Pagbilao Plant annual coal requirements. Nevertheless, it is continuously looking for and evaluating other coal sources to diversify sources and ensure security of supply.

Likewise, TSI has annual coal supply contracts for its coal plant in Mindanao. It applies the same sourcing strategy as that of Pagbilao where evaluation of other potential coal sources is being conducted in order to establish the most competitive and optimum fuel supply mix. On the other hand, GMCP, STEAG, and CEDC also have long-term coal supply agreements.

Distribution Utilities Business

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

Hedcor Sibulan supplies Davao Light with electricity generated from its Hedcor Sibulan plants pursuant to the Hedcor consortium's 12-year PSA. To add to its power reserve capacity, Davao Light has entered into a PSC with TMI for 15 MW last March 21, 2011. This was later increased to 30 MW in 2012. The contract with TMI finally ended last July 25, 2018. Davao Light and Cotabato Light entered into 25-year PSCs with TSI for 100 MW and 5 MW, respectively. In September 2015, Davao Light and Cotabato Light started drawing the first half of their contracted capacity, or 50 MW and 2.5 MW respectively, from TSI. Starting February 2016, the full 100 MW and 5MW contracted capacity was supplied by TSI. On June 10, 2016, Davao Light and TSI filed a Jont Manifestation with the ERC stating that they agreed to supplement and modify their supply contract to 108 MW.

On December 25, 2015, the CSEEs of Davao Light and Cotabato Light with PSALM expired. Following negotiations, on December 23, 2015, Davao Light and Cotabato Light entered into PSAs with WMPC for the supply of 18 MW and 2 MW, respectively, for a period of four months from January to April 2016. These PSAs were provisionally approved by the ERC on March 1, 2016. On April 2016, the PSALM CSEEs of Davao Light and Cotabato Light were renewed for an annual term with a lower contracted capacity. Due to significant reduction of the contracted capacity of the PSALM CSEEs, Davao Light and Cotabato Light entered into PSAs with SPPC for a supply of 50 MW and 5 MW, respectively, on April 28, 2016 for a period of two years. These were provisionally approved by the ERC on July 11, 2016. On December 1, 2016, PSALM wrote a letter to DLPC extending the CSEE up to December 25, 2018 with the amended contracted demand and energy.

In anticipation of higher demand and lower allocation from PSALM, Davao Light entered into a PSC with San Miguel Consolidated Power Corporation (SMCPC) in November 28, 2016 for a supply of 60MW for a period of ten years. This was provisionally approved by ERC on June 20, 2017, and SMCPC began supplying the 60MW contracted capacity on February 26, 2018.

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

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

To further reduce VECO's WESM exposure in 2016, it entered into a PSA with Southeast Luzon Power Generation Corporation (SLPGC) for 50 MW in 2016. This contract expired last June 26, 2018. For its long term capacity requirement, VECO entered into a 15-year PSA with TVI for the supply of 150 MW. In 2018, TVI, during its commissioning and testing stage, has been injecting power to VECO under pre-commercial terms. The contract between VECO and TVI was approved by the Energy Regulatory Commission in June 2018.

When the Retail Competition and Open Access was embarked, there were Contestable Customers who voluntarily migrated to RES. Distribution Utilities will continue to renegotiate the reduction of its bilateral contracts to account for the continued migration of these Contestable Customers.

In 2016, following the on-set of Retail Competition and Open Access, the contracted capacity of SEZ with TLI was carved down from 30 MW to 20.5 MW. This was further reduced to 15.73 MW in 2017 and to 12.09 MW in December 2018.

Also in 2016, the contracted capacity of SEZ with San Miguel Energy Corporation was carved down from 10 MW to 8.8 MW. It was then reduced to 4.2 MW in 2017 and to 4.02 MW in December 2018.

On September 25, 2015, MEZ entered into PSAs with its SN Aboitiz Power-Magat and Green Core Geothermal Inc. with contracted capacity 10 MW each and load factor 50% and 100%, respectively, which translated to energy per year of 43,920 MWh and 87,840 MWh, respectively. However, on February 26, 2017, these were reduced to 4.957 MW each with same load factor but with energy per year of 21,712 MWh and 43,423 MWh. The decrease was due to the transfer of MEZ's contestable customers with 1MW capacity to RES.

On March 26, 2017, the contracted capacity of BEZ with CEDC was reduced to 9.8967 GWh from 51.12 GWh for 2017 and reduced to 6.55275 GWh from 51.12 GWh for 2018. This was due to the entry of six of BEZ's Contestable Customers into Open Access thru various RES. BEZ PSA with CEDC will end on February 26, 2025.

On February 26, 2017, the contracted capacity of LEZ with Therma Luzon, Inc. was reduced to 51,126 GWh from 163,147 GWh. This was due to the entry of the Contestable Customers into Open Access thru various RES. LEZ PSA with TLI will end on January 25, 2020.

Transmission Charges

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

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

Cotabato Light has renewed its TSA while Subic Enerzone is still in the process of securing its TSA with NGCP. VECO, Davao Light, and SFELAPCO have each signed their respective TSA renewals and are awaiting NGCP's execution of the document. The Distribution Utilities have negotiated agreements with the NGCP in connection with the security deposit to secure their obligations to the NGCP under the TSAs.

FOOD MANUFACTURING

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

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

International Animal Nutrition

A wide variety of raw materials are required by the Gold Coin Group to manufacture its livestock and aqua feeds products, including, but not limited to, corn grains, soya beans and meals, and wheat products. Costs of raw materials account for 80% to 85% of sales value (2018 Budget: US$685 mn). Corn grains and soy bean, sourced from China, Malaysia, Singapore, Indonesia, and Vietnam, account for 65% to 70% raw material usage is subject to volatile price movements that can go up to US$20 per metric ton.

Sourcing of these materials is a combination of local and import strategies. In order to optimize its position as one of the largest animal nutrition providers in the Asia-Pacific Region, and take advantage of the synergies between related-parties and affiliates, the Gold Coin Group instituted a centralized commodity trading team within the group wherein all procurement and strategic sourcing activities and decisions are made.

INFRASTRUCTURE

Purchases of Raw Materials

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

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

(vii) Major Customers

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

POWER GENERATION BUSINESS

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

RETAIL ELECTRICITY SUPPLY BUSINESS

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

DISTRIBUTION UTILITIES

Most of AboitizPower's Distribution Utilities, on the other hand, have wide and diverse customer bases. As such, the loss of any one customer is not expected to have a material adverse impact on AboitizPower. The Distribution Utilities' customers are categorized into four principal categories:

(a) *Industrial customers.* Industrial customers generally consist of large-scale consumers of electricity within a franchise area, such as factories, plantations and shopping malls;
(b) *Residential customers.* Residential customers are those who are supplied electricity for use in a structure utilized for residential purposes;
(c) *Commercial customers.* Commercial customers include service-oriented businesses, universities and hospitals; and
(d) *Other customers.* Customers not falling under any of the above categories.

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

FOOD MANUFACTURING

International Animal Nutrition

The Gold Coin Group's businesses are not dependent upon a single customer or a few customers that a loss of anyone would have a material adverse effect on the performance of its sales and distribution. The Gold Coin Group has no single customer that, based on existing orders, will account for 20% or more of its total sale of goods and services.

REAL ESTATE

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

OTHER SUBSIDIARIES AND AFFILIATES

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

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

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

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

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

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

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

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

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

The above related party transactions are discussed extensively in Note 34 of the audited financial statements of the Company.

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

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

(ix) Patents, Copyrights and Franchises

POWER GENERATION BUSINESS

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

In its operations, a generation company is required to comply with technical, financial and environmental standards. It shall ensure that facilities connected to the Grid meet the technical design and operation criteria of the Philippine Grid Code, Philippine Distribution Code, and Philippine Electrical Code. It shall also conform with financial standards and comply with applicable environmental laws, rules and regulations.

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

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

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

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

Title of Document	Issued under the Name of	Power Plant						Date of Issuance/ Validity Period
		Name	Type	Location	Capacity	Fuel	Economic Life/ Term of COC	
COC No. 18-12-M-00330L	Hedcor, Inc.	Irisan 3	Hydroelectric Power Plant	Tadiangan, Tuba, Benguet	1.20 MW	Hydro	November 05, 2018 - November 4, 2023	December 11, 2018
COC No. 18-12-M-00334L	Hedcor, Inc.	Bineng 3	Hydroelectric Power Plant	Bineng, La Trinidad, Benguet	5.625 MW	Hydro	November 05, 2018 - November 4, 2023	December 11, 2018
COC No. 18-12-M-00329L	Hedcor, Inc.	Ampohaw	Hydroelectric Power Plant	Banengbeng, Sablan, Benguet	8.00 MW	Hydro	November 05, 2018 - November 4, 2023	December 11, 2018

Title of Document	Issued under the Name of	Power Plant						Date of Issuance/ Validity Period
		Name	Type	Location	Capacity	Fuel	Economic Life/ Term of COC	
COC No. 18-12-M-00336L	Hedcor, Inc.	Sal-angan	Hydroelectric Power Plant	Ampucao, Itogon, Benguet	2.40 MW	Hydro	November 05, 2018 - November 4, 2023	December 11, 2018
COC No. 17-04-M-00032L	Hedcor, Inc.	Irisan 1	Hydroelectric Power Plant	Brgy. Tadiangan, Tuba, Benguet	3.89 MW	Hydro	April 30, 2017 – April 29, 2022	April 19, 2017
COC No. 16-05-M-00061M	Hedcor, Inc.	Talomo 1 – Unit 1 Talomo 1 – Unit 2	Hydroelectric Power Plant	Calinan, Davao City	500 kW 500 kW	Hydro	February 15, 2015 - February 14, 2020	May 4, 2016
COC No. 16-05-M-00062M	Hedcor, Inc.	Talomo 2 – Unit 1 Talomo 2 – Unit 2 Talomo 2 – Unit 3	Hydroelectric Power Plant	Mintal Proper, Davao City	200 kW 200 kW 200 kW	Hydro	February 15, 2015 - February 14, 2020	May 4, 2016
COC No. 16-05-M-00063M	Hedcor, Inc.	Talomo 2A – Unit 1 Talomo 2A – Unit 2	Hydroelectric Power Plant	Upper Mintal, Davao City	450 kW 200 kW	Hydro	February 15, 2015 - February 14, 2020	May 4, 2016
COC No. 16-05-M-00064M	Hedcor, Inc.	Talomo 2B	Hydroelectric Power Plant	Upper Mintal, Davao City	300 kW	Hydro	February 15, 2015 - February 14, 2020	May 4, 2016
COC No. 16-05-M-00065M	Hedcor, Inc.	Talomo 3 – Unit 1 Talomo 3 – Unit 2	Hydroelectric Power Plant	Catalunan, Pequeño, Davao City	960 kW 960 kW	Hydro	February 15, 2015 - February 14, 2020	May 4, 2016
COC No. 18-12-M-00327L	Hedcor, Inc.	FLS Plant	Hydroelectric Power Plant	Poblacion, Bakun, Benguet	6.40 MW	Hydro	November 05, 2018 - November 4, 2023	December 11, 2018
COC No. 18-12-M-00335L	Hedcor, Inc.	Lower Labay	Hydroelectric Power Plant	Ampusongan, Bakun, Benguet	2.40 MW	Hydro	November 05, 2018 - November 4, 2023	December 11, 2018
COC No. 18-12-M-00328L	Hedcor, Inc.	Lon-oy	Hydroelectric Power Plant	Poblacion, Bakun, Benguet	3.60 MW	Hydro	November 05, 2018 - November 4, 2023	December 11, 2018
COC No. 15-05-M-56M	Hedcor Sibulan, Inc.	Sibulan A – Unit 1 Sibulan A – Unit 2	Hydroelectric Power Plant	Brgy. Sibulan, Sta. Cruz, Davao del Sur	8.164 MW 8.164 MW	Hydro	25	May 18, 2015 - August 9, 2020
COC No. 15-05-M-54M	Hedcor Sibulan, Inc.	Sibulan B – Unit 1 Sibulan B – Unit 2	Hydroelectric Power Plant	Brgy. Sibulan, Sta. Cruz, Davao del Sur	13.128 MW 13.128 MW	Hydro	25	May 18, 2015 - May 24, 2020
COC No. 14-03-GN 346-20102M	Hedcor Sibulan, Inc.	Tudaya 1	Hydroelectric Power Plant	Sitio Tudaya, Brgy. Sibulan, Sta. Cruz, Davao del Sur	6.65 MW	Hydro	15	March 10, 2014 - March 10, 2019
COC No. 18-06-M-00017L	Luzon Hydro Corporation	Bakun AC	Hydroelectric Power Plant	Amilongan, Alilem, Ilocos Sur	74.80 MW	Hydro	July 30, 2018 – July 29, 2023	June 20, 2018

Title of Document	Issued under the Name of	Power Plant						Date of Issuance/ Validity Period
		Name	Type	Location	Capacity	Fuel	Economic Life/ Term of COC	
COC No. 15-06-M-00013M	Hedcor Tudaya, Inc.	Tudaya 2	Hydroelectric Power Plant	Sta. Cruz, Davao del Sur	8.13 MW	Hydro	25	June 15, 2015
COC No. 15-09-M-00023L	Hedcor Sabangan, Inc.	Sabangan	Hydroelectric Power Plant	Brgy. Namatec, Sabangan, Mountain Province	14.96 MW	Hydro	25	September 29, 2015
COC No. 15-11-M-13701M	Davao Light & Power, Co.	Bajada Diesel Power Plant	Diesel Power Plant	J.P. Laurel Ave., Bajada, Davao City	58.70 MW	Diesel	20	November 26, 2015 - December 7, 2020
			Blackstart		483.20 kW	Diesel	20	
COC No. 17-04-M-15911M	Cotabato Light and Power Company, Inc.	N/A	Bunker C-Fired Diesel Engine	CLPC Compound, Sinsuat Ave., Rosary Heights I, Cotabato City	9.927 MW	Diesel / Bunker C	January 10, 2017 - January 9, 2022	April 19, 2017
			Blackstart		10 kW	Diesel		
COC No. 18-03-M-00002V	East Asia Utilities Corporation	N/A	Bunker C/Diesel Fired Power Plant	Barrio Ibo, Mactan Export Processing Zone 1 (MEPZ 1), Lapu-Lapu City, Cebu	49.60 MW	Bunker C	June 10, 2018 – June 10, 2023	March 27, 2018
COC No. 18-03-M-00001V	Cebu Private Power Corporation	N/A	Bunker C/Diesel Fired Power Plant	Old Veco Compound, Brgy. Ermita, Carbon, Cebu City	70.59 MW	Bunker C/ Diesel	June 4, 2018 – June 3, 2023	March 27, 2018
COC No. 18-12-M-00020M	Western Mindanao Power Corporation	N/A	Bunker C- Fired Power Plant	Malasugat, Sangali, Zamboanga City	112 MW	Bunker C/ Diesel	August 27, 2018 – August 26, 2023	December 4, 2018
		N/A	Blackstart		160 kW	Diesel		
COC No. 18-12-M-00021M	Southern Philippines Power Corporation	N/A	Bunker C- Fired Diesel Power Plant	Brgy. Baluntay, Alabel, Sarangani Province	61.72 MW	Bunker C/ Diesel	August 27, 2018 – August 26, 2023	December 4, 2018
			Blackstart		160 kW	Diesel		
COC No. 18-04-M-00150L	SN Aboitiz Power – Magat, Inc.	Maris Main Canal I	Hydroelectric Power Plant	Brgy. Ambatali, Ramon, Isabela	8.50 MW	Hydro	April 4, 2018 – April 3, 2023	April 4, 2018
COC No. 17-03-M-00309L	SN Aboitiz Power – Benguet, Inc.	Binga – Unit 1	Hydroelectric Power Plant	Brgy. Tinongdan, Itogon, Benguet	35.02 MW	Hydro	March 12, 2017 - March 11, 2022	March 9, 2017
		Binga – Unit 2	Hydroelectric Power Plant		35.02 MW			
		Binga – Unit 3	Hydroelectric Power Plant		35.02 MW			
		Binga – Unit 4	Hydroelectric Power Plant		35.02 MW			
		Binga Hydroelectric Power Plant	Blackstart Generator Set		320 KW	Diesel		
		Binga Hydroelectric Power Plant	Auxiliary Generator Set		330.40 KW	Diesel		

Title of Document	Issued under the Name of	Power Plant						Date of Issuance/ Validity Period
		Name	Type	Location	Capacity	Fuel	Economic Life/ Term of COC	
COC No. 16-08-M-00087L	SN Aboitiz Power – Benguet, Inc.	Ambuklao – Unit 1	Hydroelectric Power Plant	Brgy. Ambuklao, Bokod, Benguet	34.85 MW	Hydro	August 31, 2016 - August 30, 2021	August 18, 2016
		Ambuklao – Unit 2			34.85 MW			
		Ambuklao – Unit 3			34.85 MW			
		Ambuklao Hydroelectric Power Plant	Auxiliary Generator Set		320 KW	Diesel		
		Ambuklao Hydroelectric Power Plant	Blackstart Generator Set		314 KW	Diesel		
COC No. 16-06-M-00016M	STEAG State Power, Inc.	N/A	Coal Fired Power Plant	Phividec Industrial Estate, Balascanas, Villanueva, Misamis Oriental	232 MW	Coal	August 30, 2016	June 13, 2016
			Emergency Generating Set		1.25 MW	Diesel	August 29, 2021	
COC No. 15-03-S-00013M	STEAG State Power, Inc.	N/A	Diesel Engine	Phividec Industrial Estate, Villanueva, Misamis Oriental	400 kW	Diesel	25	March 25, 2015 - March 25, 2020
COC No. 15-05-M-00007L	AP Renewables, Inc.	Makban – Bay, Plant A	Geothermal Power Plant	Brgy. Bitin, Bay, Laguna	63.2 MW	Geo-thermal Steam	23	May 4, 2015 - May 31, 2020
		Makban – Bay, Plant A			63.2 MW			
		Makban – Bay, Plant D			20.0 MW			
		Makban – Bay, Plant D			20.0 MW			
COC No. 15-05-M-00008L	AP Renewables, Inc.	Makban – Calauan, Plant B	Geothermal Power Plant	Brgy. Limao, Calauan, Laguna	63.2 MW	Geo-thermal Steam	23	May 4, 2015 - May 31, 2020
		Makban – Calauan, Plant B			63.2 MW			
		Makban – Calauan, Plant C			55.0 MW			
		Makban – Calauan, Plant C			55.0 MW			
COC No. 15-05-M-00009L	AP Renewables, Inc.	Makban – Sto. Tomas, Plant E	Geothermal Power Plant	Brgy. Sta. Elena, Sto. Tomas, Batangas	20.0 MW	Geo-thermal Steam	23	May 4, 2015 - May 31, 2020
		Makban – Sto. Tomas, Plant E			20.0 MW			
COC No. 15-11-M-00028L	AP Renewables, Inc.	Plant A, Unit 1	Geothermal Power Plant	Brgy. Naga, Tiwi, Albay	60 MW	Geo-thermal Steam	25	November 26, 2015 - December 10, 2020
		Plant A, Unit 2			60 MW			
COC No. 15-11-M-286rL	AP Renewables, Inc.	Plant C, Unit 5	Geothermal Power Plant	Brgy. Cale, Tiwi, Albay	57 MW	Geo-thermal Steam	25	November 26, 2015 - December 12, 2020
		Plant C, Unit 6			57 MW			

Title of Document	Issued under the Name of	Power Plant						Date of Issuance/ Validity Period
		Name	Type	Location	Capacity	Fuel	Economic Life/ Term of COC	
COC No. 17-05-M-00105L	AP Renewables, Inc.	MakBan Binary 1	Geothermal Power Plant	Brgy. Sta. Elena, Sto. Tomas, Batangas	7.0 MW	Brine	November 7, 2016 - November 6, 2021	May 15, 2017
COC No. 16-03-M-00286ggM	Therma Marine, Inc.	Mobile 1	Diesel Power Plant	Brgy. San Roque, MACO, Compostela Valley	100.33 MW	Diesel	25	March 30, 2016 - April 18, 2021
			Blackstart		1.68 MW	Diesel	5	
COC No. 16-03-M-00286bbM	Therma Marine, Inc.	Mobile 2	Diesel Power Plant	Brgy. Nasipit, Agusan del Norte	100.33 MW	Diesel	25	March 30, 2016 - April 5, 2021
			Blackstart		1.68 MW	Diesel	5	
COC No. 17-07-M-00305L	Therma Mobile, Inc.	Barge 1/ Mobile 3	Bunker C-Fired Diesel Power Plant	Navotas Fish Port Complex, Navotas, Metro Manila	66 MW	Bunker C/ Diesel	July 9, 2017 - July 8, 2022	June 22, 2017
COC No. 17-07-M-00306L	Therma Mobile, Inc.	Barge 2/ Mobile 4	Bunker C-Fired Diesel Power Plant	Navotas Fish Port Complex, Navotas, Metro Manila	56 MW	Bunker C/ Diesel	July 9, 2017 - July 8, 2022	June 22, 2017
COC No. 17-07-M-00307L	Therma Mobile, Inc.	Barge 3/ Mobile 5	Bunker C-Fired Diesel Power Plant	Navotas Fish Port Complex, Navotas, Metro Manila	57 MW	Bunker C/ Diesel	July 9, 2017 - July 8, 2022	June 22, 2017
COC No. 17-07-M-00308L	Therma Mobile, Inc.	Barge 4/ Mobile 6	Bunker C-Fired Diesel Power Plant	Navotas Fish Port Complex, Navotas, Metro Manila	52 MW	Bunker C/ Diesel	July 9, 2017 - July 8, 2022	June 22, 2017
COC No. 15-09-M-00022M	Therma South, Inc.	Unit 1	Coal Fired Power Plant	Brgy. Binugao, Toril District, Davao City	150 MW	Coal	25	September 1, 2015 - August 31, 2020
		Unit 2	Coal Fired Power Plant	Brgy. Binugao, Toril District, Davao City	150 MW	Coal	25	January 19, 2016 - August 31, 2020
COC No. 18-02-M-00145L	Pagbilao Energy Corporation	Pagbilao Unit 3 Coal Fired Thermal Power Plant	Coal Fired Thermal Power Plant	Isla Grande, Ibabang Polo, Pagbilao, Quezon	420 MW	Coal	February 20, 2018 – February 19, 2023	February 20, 2018
			Black Start		1.04 MW	Diesel		
COC No. 17-11-M-00282L	GNPower Mariveles Coal Plant Ltd. Co.	Unit 1	Coal Fired Power Plant	Brgy. Alas-asin, Mariveles, Bataan	325.8 MW	Coal	December 3, 2017 – December 2, 2022	November 21, 2017
		Unit 2			325.8 MW			
		N/A	Blackstart		1.68 MW	Diesel		

DISTRIBUTION BUSINESS

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

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

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

DU	Franchise	Term	Expiry
VECO	R.A. 9339	25 years from effectivity of R.A. 9339. (R.A. 9339 approved on September 1, 2005. Publication date not known.)	Valid until September 24, 2030
	ERC Certificate No. CPCN-09-01 (ERC Decision dated January 26, 2009, ERC Case No. 2008-095 MC).	25 years from September 24, 2005 to September 24, 2030	
Davao Light	R.A. 8960	25 years from effectivity of the Act (Lapsed into law September 7, 2000. Publication date not known.)	Valid until September 7, 2025
	CPCN (Decision dated February 26, 2002, ERC Case No. 2001-792)	September 7, 2000 to September 7, 2025	
Cotabato Light	R.A. 10637 (Approved June 16, 2014)	25 years from expiration of CA 487, as amended	Valid until June 16, 2039
	ERC Certificate No. CPCN-14-001 (ERC Decision dated December 9, 2019, ERC Case No. 2013-063 MC)	25 Years from June 17, 2014 or until June 16, 2039	
SFELAPCO	R.A. 9967	25 years from effectivity of the Act (Lapsed into law on Feb. 6, 2010)	Valid until March 23, 2035
	ERC Certificate No. CPCN-10-01 (ERC Decision dated August 31, 2010, ERC Case No. 2010-029 MC)	March 24, 2010 to March 23, 2035	
SEZ	Distribution Management Service Agreement (DMSA) between SEZ and JV of AEV-DLPC	Notarized on May 15, 2003. Term of the DMSA is 25 years.	Valid until May 15, 2028

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

RETAIL ELECTRICITY SUPPLY BUSINESS

Like power generation, the business of supplying electricity is not considered a public utility operation under the EPIRA, but is considered a business affected with public interest. As such, the EPIRA requires all suppliers of electricity to end-users in the contestable market, other than distribution utilities within their franchise areas, to obtain a license from the ERC. With the implementation of Open Access in 2013, AboitizPower's Subsidiaries, AESI, AdventEnergy, SN Aboitiz Power - RES, and Prism Energy, obtained separate licenses to act as RES and Wholesale Aggregator. AESI, AdventEnergy, and Prism Energy have each filed the corresponding application for renewal of its RES licenses.

BANKING AND FINANCIAL SERVICES BUSINESS

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

PETNET, as a company engaged in money remittance, is required to obtain licenses from the BSP for its branches. It is also required to comply with the requirements of the Anti-Money Laundering Act.

Trademarks

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

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
A Better Future word mark (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	April 23, 2010	4-2010-004383 November 11, 2010	Application for the word mark "A Better Future".	Original Certificate of Registration was issued on November 11, 2010. The 3rd year Anniversary Declaration of Actual Use (DAU) was filed on April 23, 2013 with the IP Office. The 5th year Anniversary DAU was filed on October 26, 2016 with the IP Office. The 10th year Anniversary DAU and application for renewal are due for filing on November 11, 2020.
Better Solutions word mark (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	April 23, 2010	4-2010-004384 November 11, 2010	Application for the word mark "A Better Solutions".	Original Certificate of Registration was issued on November 11, 2010. The 3rd year Anniversary DAU was filed on April 23, 2013 with the IP Office. The 5th year Anniversary DAU was filed on October 26, 2016 with the IP Office. The 10th year Anniversary DAU and application for renewal are due for filing on November 11, 2020.
AboitizPower word mark (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	April 23, 2010	4-2010-004385 November 11, 2010	Application for the word mark "AboitizPower".	Original Certificate of Registration was issued on November 11, 2010. The 3rd year Anniversary DAU was filed on April 23, 2013 with the IP Office. The 5th year Anniversary DAU was filed on October 26, 2016 with the IP Office. The 10th year Anniversary DAU and application for renewal are due for filing on November 11, 2020.
AboitizPower Spiral Device (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	April 23, 2010	4-2010-004380 February 10, 2011	Application for the device mark "AboitizPower Spiral and Device", with color claim. The representation of a spiral rendered in blue.	Original Certificate of Registration was issued on February 10, 2011. The 3rd year Anniversary Declaration of Actual Use (DAU) was filed on April 23, 2013 with the IP Office. The 5th year Anniversary DAU was filed on February 3, 2017 with the IP Office. The 10th year Anniversary DAU and application for renewal are due for filing on February 10, 2021.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
Cleanergy word mark (Class No. 40)	Aboitiz Power Corporation	October 19, 2001	4-2001-007900 January 13, 2006	Application for the word mark "Cleanergy".	Original Certificate of Registration for the mark CLEANERGY was issued on January 13, 2006. The 3rd year Anniversary DAU was filed on November 11, 2004. The 5th year Anniversary DAU was filed on December 27, 2011 with the IP Office. The 10th year Anniversary DAU and renewal of registration were filed with the IP Office on January 13, 2016. The 15th DAU is due on January 13, 2021.
Cleanergy word mark (Class Nos. 39 and 42)	Aboitiz Power Corporation	January 16, 2019	4-2019-000850	Application for the word mark "Cleanergy" for the additional goods and services under Class Nos. 39 and 42.	Pending with the IP Office. The 3rd year Anniversary DAU is due for filing on January 16, 2022 with the IP Office.
Cleanergy and Device (Class No. 42)	Aboitiz Power Corporation	July 30, 2002	4-2002-06293 July 16, 2007	Application for the device mark "Cleanergy and Device", with color claim). The representation of a light with bulb with three leaves attached to it, with the words "CLEANERGY" and a small "ABOITIZ" diamond logo below it.	Original Certificate of Registration was issued on July 16, 2007. The 3rd year Anniversary DAU was filed on June 28, 2005 with the IP Office. The 5th year Anniversary DAU was filed on July 15, 2013 with the IP Office. The 10th year Anniversary DAU and application for renewal of registration were filed on July 16, 2017 with the IP Office. The Renewal DAU was due on July 16, 2018 but was not filed due to non-use.
Cleanergy Get It and Device (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	April 23, 2010	4-2010-004381 November 11, 2010	Application for the device mark "Cleanergy Get it and Device". The word Cleanergy", with color claim. The phrase "get it" below it with both words endorsed by representation of a thumbs up sign. The whole mark is rendered in two shades of green.	Original Certificate of Registration was issued on November 11, 2010. The 3rd year Anniversary DAU was filed on April 23, 2013 with the IP Office. The 5th year Anniversary DAU was filed on October 26, 2016 with the IP Office. The 10th year Anniversary DAU and application for renewal are due for filing on November 11, 2020.
Cleanergy Got It and Device (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	April 23, 2010	4-2010-004382 November 11, 2010	Application for the device mark "Cleanergy got it and device". The word "Cleanergy" with the phrase "got it" below it with both words endorsed by representation of a thumbs up sign. The whole mark is rendered in two shades of green.	Original Certificate of Registration was issued on November 11, 2010. The 3rd year Anniversary DAU was filed on April 23, 2013 with the IP Office. The 5th year Anniversary DAU was filed on October 26, 2016 with the IP Office. The 10th year Anniversary DAU and application for renewal are due for filing on November 11, 2020.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
AboitizPower and Device (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	April 23, 2010	4-2010-004379 February 10, 2011	Application for the device mark "AboitizPower and Device", with color claim.	Original Certificate of Registration was issued on February 10, 2011. The 3rd year Anniversary DAU was filed on April 23, 2013 with the IP Office. The 5th year Anniversary DAU was filed on February 3, 2017 with the IP Office. The 10th year Anniversary DAU and application for renewal are due for filing on February 10, 2021.
Alterspace word mark (Class Nos. 9, 39 and 40)	Aboitiz Power Corporation	April 06, 2011	4-2011-003968 February 24, 2012	Application for the word mark "ALTERSPACE".	Original Certificate of Registration was issued on February 24, 2012. The 3rd year Anniversary DAU was filed on May 20, 2014 with the IP Office. The 5th DAU was due on February 24, 2018 but was not filed due to non-use.
Alterspace and Device (Class Nos. 9, 39 and 40)	Aboitiz Power Corporation	May 31, 2011	4-2011-006291 December 22, 2011	Application for the device mark "Alterspace and Device". A globe with the words "alter" and "space" inside an arrow circling the globe and separating the words. The globe is rendered in forest green, while the words and arrow are rendered in lime green.	Original Certificate of Registration was issued on December 22, 2011. The 3rd year Anniversary DAU was filed May 20, 2014 with the IP Office. The 5th DAU was due on December 22, 2017 but was not filed due to non-use.
RP Energy and Device (Class No. 40)	Redondo Peninsula Energy, Inc.	August 12, 2008	4-2008-0093737 April 13, 2009	Application for the device mark "RP Energy and Device".	Original Certificate of Registration was issued on April 13, 2009. The 5th year DAU was filed on February 16, 2015. The 10th year Anniversary DAU and application for renewal are due for filing on April 13, 2019.
Subic EnerZone Corporation and Logo (Class No. 39)	Subic EnerZone Corporation	July 06, 2006	4-2006-007306 August 20, 2007	Trademark application for Subic EnerZone Corporation and Logo, with color claim (blue and yellow). The mark consists of the words "SUBIC ENERZONE" in Fujiyama extra bold font with the word "CORPORATION" below it, also in Fujiyama font, rendered in cobalt medium blue color, and a representation of the letter "S" taking the shape of a flame (the company logo) above the words. The logo is likewise rendered in the cobalt medium blue color in a yellow background.	Original Certificate of Registration was issued on August 20, 2007. The mark was renewed on August 20, 2017. The renewal DAU was filed on August 20, 2018 with the IP Office. The Renewal 5th Year DAU is due on August 20, 2023.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
Subic EnerZone Corporation and Logo (Class No. 39)	Subic EnerZone Corporation	July 06, 2006	4-2006-007305 August 20, 2007	Application for the Subic EnerZone Corporation word mark and device (gray). The mark consists of the words "SUBIC ENERZONE" in Fujiyama extra bold font with the word "CORPORATION" below it, also in Fujiyama font, and a representation of the letter "S" taking the shape of a flame (the company logo) above the words.	Original Certificate of Registration was issued on August 20, 2007. The mark was renewed on August 20, 2017. The renewal DAU was filed on August 20, 2018 with the IP Office. The Renewal 5th Year DAU is due on August 20, 2023.
Subic EnerZone Corporation word mark (Class No. 39)	Subic EnerZone Corporation	July 06, 2006	4-2006-007304 June 4, 2007	Application for the word mark "Subic EnerZone Corporation".	Original Certificate of Registration was issued on June 4, 2007. The 3rd year Anniversary DAU was filed with the IP Office on July 6, 2009. The 5th year Anniversary DAU was filed with the IP Office on June 4, 2013. The 10th year Anniversary DAU and application for renewal of registration was filed with the IP Office on June 4, 2017. The renewal DAU was filed on June 4, 2018 with the IP Office. The Renewal 5th Year DAU is due on June 4, 2023.
Driven to Lead. Driven to Excel. Driven to Serve. word mark (Class Nos. 30, 36, 37, 39, 40 and 42)	Aboitiz Equity Ventures Inc.	January 30, 2012	04-2012-001132 June 21, 2012	Application for the word mark "Driven to Lead. Driven to Excel. Driven to Serve.".	Original Certificate of Registration was issued on June 21, 2012. The 3rd year Anniversary DAU was filed on January 30, 2015 with the IP Office. The 5th year Anniversary DAU was filed on June 21, 2018 with the IP Office. The 10th year Anniversary DAU and application for renewal are due for filing on June 21, 2022.
Aboitiz Better Ways word mark (Class Nos. 30, 31, 35, 36, 37, 39, 40 and 42)	Aboitiz Equity Ventures Inc.	December 18, 2013	04-2013-015095 March 27, 2014	Application for the word mark "Aboitiz Better Ways".	Original Certificate of Registration was issued on March 27, 2014. The 3rd year Anniversary DAU was filed on December 12, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on March 27, 2020.
Aboitiz Better World word mark (Class Nos. 30, 31, 35, 36, 37, 39, 40 and 42)	Aboitiz Equity Ventures Inc.	December 18, 2013	04-2013-015094 March 27, 2014	Application for the word mark "Aboitiz Better World".	Original Certificate of Registration was issued on March 27, 2014. The 3rd year Anniversary DAU was filed on December 12, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on March 27, 2020.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
Aboitiz word mark (Class Nos. 30, 35, 36, 37, 39, 40 and 42)	Aboitiz Equity Ventures Inc.	October 16, 2018	04-2018-018635	Application for the word mark "Aboitiz".	Pending with the IP Office. The 3rd year Anniversary DAU is due on October 16, 2021.
Aboitiz word mark (Additional activities under Class Nos. 36, 37)	Aboitiz Equity Ventures Inc.	January 03, 2019	04-2019-000086	Application for the word mark "Aboitiz" to cover additional services under Class Nos. 36 and 37.	Pending with the IP Office. The 3rd year Anniversary DAU is due on January 3, 2022.
Advancing Business and Communities Logo (Class Nos. 35 and 36)	Aboitiz Equity Ventures Inc.	December 05, 2018	04-2018-021743	Application for the device mark "Advancing Business and Communities", with color claim.	Pending with the IP Office. The 3rd year Anniversary DAU is due on December 5, 2021.
Aboitiz Equity Ventures word mark (Class Nos. 35 and 36)	Aboitiz Equity Ventures Inc.	November 29, 2018	04-2018-021492	Application for the word mark "Aboitiz Ventures".	Pending with the IP Office. The 3rd year Anniversary DAU is due on November 29, 2021.
Aboitiz Equity Ventures Logo (Class Nos. 35 and 36)	Aboitiz Equity Ventures Inc.	November 29, 2018	04-2018-021742	Application for the device mark "Aboitiz Equity Ventures", with color claim.	Pending with the IP Office. The 3rd year Anniversary DAU is due on November 29, 2021.
Aboitiz InfraCapital word mark (Class Nos. 35, 36 and 37)	Aboitiz InfraCapital, Inc.	April 18, 2018	04-2018-00006537	Application for the word mark "Aboitiz InfraCapital"	Pending with the IP Office. The 3rd year Anniversary DAU is due on April 18, 2021.
Aboitizland Geometric Symbol Logo (Class Nos. 35 and 37)	Aboitiz Land, Inc.	May 25, 2009	04-2009-005107 March 11, 2010	Application for the word mark "ABOITIZLAND GEOMETRIC SYMBOL LOGO", with color claim.	Original Certificate of Registration was issued on March 11, 2010. The 3rd year Anniversary DAU was filed on May 21, 2012 with the IP Office. The 5th year Anniversary DAU was filed on March 10, 2016 with the IP Office. The 10th year Anniversary DAU and application for renewal of registration are due for filing on March 11, 2020.
Aboitizland Made For Life And Device (Class Nos. 35 and 37)	Aboitiz Land, Inc.	May 25, 2009	04-2009-005108 March 11, 2010	Application for the device mark "ABOITIZLAND MADE FOR LIFE AND DEVICE", with color claim.	Original Certificate of Registration was issued on March 11, 2010. The 3rd year Anniversary DAU was filed on May 21, 2012 with the IP Office. The 5th year Anniversary DAU was filed on March 10, 2016 with the IP Office. The 10th year Anniversary DAU and application for renewal of registration are due for filing on March 11, 2020.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
Aboitizland and Device (Class Nos. 35 and 37)	Aboitiz Land, Inc.	May 25, 2009	04-2009-005106 March 11, 2010	Application for the device mark "ABOITIZLAND AND DEVICE" with color claim.	Original Certificate of Registration was issued on March 11, 2010. The 3rd year Anniversary DAU was filed on May 21, 2012 with the IP Office. The 5th year Anniversary DAU was filed on March 10, 2016 with the IP Office. The 10th year Anniversary DAU and application for renewal of registration are due for filing on March 11, 2020.
Aboitizland word mark (Class Nos. 35 and 37)	Aboitiz Land, Inc.	July 14, 2009	04-2009-006961 April 15, 2010	Application for the word mark "ABOITIZLAND".	Original Certificate of Registration was issued on April 15, 2010. The 3rd year Anniversary DAU was filed on May 21, 2012 with the IP Office. The 5th year Anniversary DAU was filed on March 10, 2016 with the IP Office. The 10th year Anniversary DAU and application for renewal of registration are due for filing on April 15, 2020.
The Outlets word mark (Class Nos. 16, 35 and 37)	Aboitiz Land, Inc.	April 11, 2014	04-2014-004494 February 26, 2015	Application for the word mark "THE OUTLETS".	Original Certificate of Registration was issued on February 26, 2015. The 3rd year Anniversary DAU was filed on March 7, 2017 with the IP Office. The 5th year Anniversary DAU is due for filing on February 26, 2021.
The Outlets and Device (Class Nos. 16, 35 and 37)	Aboitiz Land, Inc.	April 11, 2014	04-2014-004493 December 4, 2014	Application for device mark "THE OUTLETS AND DEVICE", with color claim.	Original Certificate of Registration was issued on December 4, 2014. The 3rd year Anniversary DAU was filed on March 7, 2017. The 5th year Anniversary DAU is due for filing on December 4, 2020.
Ajoya word mark (Class Nos. 16, 35, and 37)	Aboitiz Land, Inc.	November 29, 2016	4-2016-506202 March 9, 2017	Application for the word mark "Ajoya".	Original Certificate of Registration was issued on March 9, 2017. The 3rd year Anniversary DAU is due for filing on November 29, 2019.
Ajoya and Device (Logo) (Class Nos. 16, 35, and 37)	Aboitiz Land, Inc.	November 29, 2016	4-2016-506203 March 24, 2017	Application for the device mark "Ajoya".	Original Certificate of Registration was issued on March 24, 2017. The 3rd year Anniversary DAU is due for filing on November 29, 2019.
Foressa word mark (Class Nos. 16, 35, and 37)	Aboitiz Land, Inc.	December 06, 2016	4-2016-506331 March 24, 2017	Application for the word mark "Foressa".	Original Certificate of Registration was issued on March 24, 2017. The 3rd year Anniversary DAU is due for filing on December 6, 2019.
Foressa Mountain Town and Device (Class Nos. 16, 35, and 37)	Aboitiz Land, Inc.	December 06, 2016	4-2016-506329 June 15, 2017	Application for the device mark "Foressa".	Original Certificate of Registration was issued on June 15, 2017. The 3rd year Anniversary DAU is due for filing on December 6, 2019.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
Lekeitio word mark (Class Nos. 16, 35, and 37)	Aboitiz Land, Inc.	December 20, 2016	4-2016-506607 April 20, 2017	Application for the word mark “Lekeitio”.	Original Certificate of Registration was issued on April 20, 2017. The 3rd year Anniversary DAU is due for filing on December 20, 2019.
Lekeitio Device (Class Nos. 16, 35, and 37)	Aboitiz Land, Inc.	January 30, 2017	4-2017-5004-24 June 24, 2017	Application for the device mark “Lekeitio”.	Original Certificate of Registration was issued on June 2, 2017. The 3rd year Anniversary DAU is due for filing on January 30, 2020.
Seafront Residences word mark (Class Nos. 16,35, and 37)	Aboitiz Land, Inc.	January 26, 2017	4-2017-500379 July 14, 2017	Application for the word mark “Seafront Residences”	Original Certificate of Registration was issued on July 14, 2017. The 3rd year Anniversary DAU is due for filing on January 26, 2020.
Seafront Residences Device (Class Nos. 16,35, and 37)	Aboitiz Land, Inc.	January 30, 2017	4-2017-500423 August 10, 2017	Application for the device mark “Seafront Residences”.	Original Certificate of Registration was issued on August 10, 2017. The 3rd year Anniversary DAU is due for filing on January 26, 2020.
The Outlets Logo (Class Nos. 16, 35, and 37)	Aboitiz Land, Inc.	January 24, 2017	04-2017-500324 July 14, 2017	Application for the device mark “The Outlets”.	Original Certificate of Registration was issued on July 14, 2017. The 3rd year Anniversary DAU is due for filing on January 24, 2020.
Seafront Villas word mark (Class Nos. 16, 35, and 37)	Aboitiz Land, Inc.	January 26, 2017	4-2017-500378 July 14, 2017	Application for the word mark “Seafront Villas”.	Original Certificate of Registration was issued on July 14, 2017. The 3rd year Anniversary DAU is due for filing on January 26, 2020.
Seafront Villas Device (Class Nos. 16,35, and 37)	Aboitiz Land, Inc.	January 30, 2017	4-2017-5004-22 August 17, 2017	Application for the device mark “Seafront Villas”.	Original Certificate of Registration was issued on August 17, 2017. The 3rd year Anniversary DAU is due for filing on January 30, 2020.
La Villita word mark (Class Nos. 16,35, and 37)	Aboitiz Land, Inc.	March 07, 2017	4-2017-500953 July 14, 2017	Application for the word mark “La Villita”.	Original Certificate of Registration was issued on July 14, 2017. The 3rd year Anniversary DAU is due for filing on March 7, 2020.
La Villita Device (Class Nos. 16, 35, and 37)	Aboitiz Land, Inc.	March 08, 2017	4-2017-500968 August 10, 2017	Application for the device mark “La Villita”.	Original Certificate of Registration was issued on August 10, 2017. The 3rd year Anniversary DAU is due for filing on March 8, 2020.
Plaza Kalea word mark (Class Nos. 16,35, and 37)	Aboitiz Land, Inc.	March 07, 2017	4-2017-500954 September 14, 2017	Application for the word mark “Plaza Kalea”.	Original Certificate of Registration was issued on September 14, 2017. The 3rd year Anniversary DAU is due for filing on March 7, 2020.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
Plaza Kalea Device (Class Nos. 16,35, and 37)	Aboitiz Land, Inc.	March 07, 2017	4-2017-500951 July 14, 2017	Application for the device mark "Plaza Kalea".	Original Certificate of Registration was issued on July 14, 2017. The 3rd year Anniversary DAU is due for filing on March 7, 2020.
Lima Exchange word mark (Class Nos. 16, 35, 36, 37 and 39)	Aboitiz Land, Inc.	July 13, 2017	04-2017-00502724 December 7, 2017	Application for the word mark "Lima Exchange".	Original Certificate of Registration was issued on December 7, 2017. The 3rd year Anniversary DAU is due for filing on July 13, 2020.
Lima Exchange Device (Class Nos. 16, 35, 36, 37 and 39)	Aboitiz Land, Inc.	July 13, 2017	4-2017-502734 October 26, 2017	Application for the device mark "Lima Exchange".	Original Certificate of Registration was issued on October 26, 2017. The 3rd year Anniversary DAU is due for filing on July 13, 2020.
Lima Land, Inc. word mark (Class Nos. 16,35, 36, 37, and 39)	Aboitiz Land, Inc.	July 13, 2017	04-2017-00502737 April 12, 2018	Application for the word mark "Lima Land".	Original Certificate of Registration was issued on April 12, 2018. The 3rd year Anniversary DAU is due for filing on July 13, 2020.
Lima Land, Inc. Logo (Class Nos. 16,35, 36, 37, and 39)	Aboitiz Land, Inc.	July 14, 2017	04-2017-00502749 March 22, 2018	Application for the device mark "Lima Land".	Original Certificate of Registration was issued on March 22, 2018. The 3rd year Anniversary DAU is due for filing on July 14, 2020.
Lima Technology Center word mark (Class Nos. 16,35, 36, 37, and 39)	Aboitiz Land, Inc.	July 13, 2017	4-2017-503466 June 15, 2018	Application for the word mark "Lima Technology Center".	Original Certificate of Registration was issued on June 15, 2018. The 3rd year Anniversary DAU is due for filing on July 13, 2020.
Lima Technology Center Device (Class Nos. 16,35, 36, 37, and 39)	Aboitiz Land, Inc.	July 13, 2017	4-2017-502735 April 12, 2018	Application for the device mark "Lima Technology Center"	Original Certificate of Registration was issued on April 12, 2018. The 3rd year Anniversary DAU is due for filing on July 13, 2020.
The Villages at Lipa word mark (Class Nos. 16, 35, 37)	Aboitiz Land, Inc.	October 16, 2018	04-2018-018626	Application for the word mark "The Villages at Lipa".	Pending with the IP Office. The 3rd year Anniversary DAU is due for filing on October 16, 2021.
The Villages At Lipa Device (Class Nos. 16, 35, 37)	Aboitiz Land, Inc.	October 16, 2018	04-2018-018629	Application for the device mark "The Villages at Lipa".	Pending with the IP Office. The 3rd year Anniversary DAU is due for filing on October 16, 2021.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
Pilmico Foods Corporation Device (Class No. 30)	Pilmico Foods Corporation	October 26, 1998	4-1998-007886 November 28, 2005	Application for device mark "PILMICO FOODS CORPORATION".	Original Certificate of Registration was issued on November 28, 2005. The mark was renewed on November 28, 2015. The 5th Year Renewal DAU is due for filing on November 28, 2021.
SUN-MOON-STAR Device (Class No. 30)	Pilmico Foods Corporation	January 22, 2002	4-2002-100524 October 2, 2006	Application for device mark "SUN-MOON-STAR"	Original Certificate of Registration was issued on October 2, 2006. The mark was renewed on October 2, 2016. The 5th Year Renewal DAU is due for filing on October 2, 2022.
GOLD STAR AND Device (Class No. 30)	Pilmico Foods Corporation	January 22, 2002	4-2002-000525 August 17, 2006	Application for the device mark "GOLD STAR AND DEVICE".	Original Certificate of Registration was issued on August 17, 2006. The mark was renewed on August 17, 2016. The 5th Year Renewal DAU is due for filing on August 17, 2022.
SUNSHINE (Class No. 30)	Pilmico Foods Corporation	April 17, 1996	4-1996-127942 October 15, 2007	Application for the device mark "SUNSHINE".	Original Certificate of Registration was issued on October 15, 2007. The 3rd year Anniversary DAU was filed on November 29, 2001 with the IP Office. The 5th year Anniversary DAU was filed on May 17, 2013 with the IP Office. The 10th year Anniversary DAU and application for renewal of registration was filed on October 5, 2018 with the IP Office. The 5th Year Renewal DAU is due for filing on October 15, 2023.
GLOWING SUN Device (Class No. 30)	Pilmico Foods Corporation	November 13, 1998	4-1998-008409 October 2, 2006	Application for the device mark "GLOWING SUN".	Original Certificate of Registration was issued on October 2, 2006. The mark was renewed on October 2, 2016. The 5th year renewal DAU is due for filing on October 2, 2022.
KUTITAP and Device (Class No. 30)	Pilmico Foods Corporation	October 26, 2001	4-2001-008098 January 17, 2005	Application for the device mark "KUTITAP AND DEVICE".	Original Certificate of Registration was issued on January 17, 2005. The mark was renewed on January 17, 2015. The 5th Year Renewal DAU is due on January 17, 2021.
KUTITAP (Class No. 30)	Pilmico Foods Corporation	January 22, 2002	4-2002-000523 December 5, 2004	Application for the device mark "KUTITAP", with color claim.	Original Certificate of Registration was issued on December 5, 2004. The mark was renewed on December 5, 2014. The 5th year Renewal DAU is due on December 5, 2020.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
MEGA STAR and Device (Class No. 30)	Pilmico Foods Corporation	August 02, 2002	4-2002-006424 November 28, 2005	Application for the device mark "MEGA STAR AND DEVICE" with color claim.	Original Certificate of Registration was issued on November 28, 2005. The mark was renewed on November 28, 2015. The 5th year Renewal DAU is due for filing on November 28, 2021.
SUNFLOUR AND DESIGN Device (Class No. 30)	Pilmico Foods Corporation	June 08, 2007	4-2007-005916 May 5, 2008	Application for the device mark "SUNFLOUR AND DESIGN".	Original Certificate of Registration was issued on May 5, 2008. The 3rd year Anniversary DAU was filed on June 8, 2010 with the IP Office. The 5th year Anniversary DAU was filed on March 7, 2013 with the IP Office. The 10th year Anniversary DAU and application for renewal of registration was filed on May 4, 2018. The Renewal DAU is due on May 5, 2019. The 5th Year Renewal DAU is due for filing on May 5, 2024.
PILMICO FLOUR AND DESIGN Device (Class No. 30)	Pilmico Foods Corporation	December 19, 2008	4-2008-015334 30-July 30, 2009	Application for the device mark "PILMICO FLOUR".	Original Certificate of Registration was issued on July 30, 2009. The 3rd year Anniversary DAU was filed on October 18, 2011 with the IP Office. The 5th year Anniversary DAU was filed on July 23, 2015 with the IP Office. The 10th year Anniversary DAU and application for renewal of registration are due for filing on July 30, 2019.
PILMICO 'M' Handshake Device (Class Nos. 30 and 31)	Pilmico Foods Corporation	October 13, 2009	4-2009-010359 August 12, 2010	Application for the device mark "PILMICO 'M' handshake".	Original Certificate of Registration was issued on August 12, 2010. The 3rd year Anniversary DAU was filed on September 11, 2012 with the IP Office. The 5th year Anniversary DAU was filed on August 1, 2016 with the IP office. The 10th year Anniversary DAU and application for renewal are due for filing on August 12, 2020.
Silver Star word mark (Class No. 30)	Pilmico Foods Corporation	August 31, 2011	4-2011-010284 February 24, 2012	Application for the word mark "Silver Star".	Original Certificate of Registration was issued on February 24, 2012. The 3rd year Anniversary DAU was filed on August 22, 2014 with the IP Office. The 5th year Anniversary DAU was filed on January 15, 2018. The 10th year Anniversary DAU and application for renewal are due for filing on February 24, 2022.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
Silver Star Logo (Class No. 30)	Pilmico Foods Corporation	September 13, 2011	4-2011-010919 January 13, 2012	Application for the device mark "Silver Star logo", with color claim.	Original Certificate of Registration was issued on January 13, 2012 The 3rd year Anniversary DAU was filed on August 22, 2014 with the IP Office. The 5th year Anniversary DAU was filed on January 15, 2018. The 10th year Anniversary DAU and application for renewal are due for filing on January 13, 2022.
Sun Rays Hard Wheat Flour Device (Class No. 30)	Pilmico Foods Corporation	June 10, 2013	4-2013-006662 February 20, 2014	Application for the device mark "SUN RAYS HARD WHEAT FLOUR".	Original Certificate of Registration was issued on February 20, 2014. The 3rd year Anniversary DAU was filed on December 12, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on February 20, 2020.
Star Beam Soft Wheat Flour Device (Class No. 30)	Pilmico Foods Corporation	June 10, 2013	4-2013-006658 December 26, 2013	Application for the device mark "STAR BEAM SOFT WHEAT FLOUR".	Original Certificate of Registration was issued on December 26, 2013. The 3rd year Anniversary DAU was filed on December 12, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on December 26, 2019.
Star Blaze Soft Wheat Flour Device (Class No. 30)	Pilmico Foods Corporation	June 10, 2013	4-2013-006663 February 20, 2014	Application for the device mark "STAR BLAZE SOFT WHEAT FLOUR".	Original Certificate of Registration was issued on February 20, 2014. The 3rd year Anniversary DAU was filed on December 12, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on February 20, 2020.
LUNA CAKE FLOUR Device (Class No. 30)	Pilmico Foods Corporation	June 10, 2013	4-2013-006661 February 20, 2014	Application for the device mark "LUNA CAKE FLOUR".	Original Certificate of Registration was issued on February 20, 2014. The 3rd year Anniversary DAU was filed on December 12, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on February 20, 2020.
SUN STREAM HARD WHEAT FLOUR Device (Class No. 30)	Pilmico Foods Corporation	June 10, 2013	4-2013-006659 February 20, 2014	Application for the device mark "SUN STREAM HARD WHEAT FLOUR".	Original Certificate of Registration was issued on February 20, 2014. The 3rd year Anniversary DAU was filed on December 12, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on February 20, 2020.
PILMICO Device (Class No. 31)	Pilmico Foods Corporation	August 07, 2013	4-2013-00009422 December 26, 2013	Application for the device mark "PILMICO".	Original Certificate of Registration was issued on December 26, 2013. The 3rd year Anniversary DAU was filed on August 1, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on December 26, 2019.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
PILMICO FLOUR Device (Class Nos. 30, 31 and 44)	Pilmico Foods Corporation	August 07, 2013	4-2013-00009423 February 20, 2014	Application for the device mark "PILMICO FLOUR".	Original Certificate of Registration was issued on February 20, 2014. The 3rd year Anniversary DAU was filed on August 1, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on February 20, 2020.
MAHALIN PAGKAING ATIN LOGO (Class Nos. 29, 30 and 31)	Pilmico Foods Corporation	March 04, 2015	4-2015-002322 July 2, 2015	Application for the device mark "Mahalin Pagkaing Atin", with color claim. The mark consists of images of two eggs, bread, ham and whole dressed chicken (from left to right) in a basket is embraced by a human represented by a heart-shaped figure with a circle on top. The words Mahalin Pagkaing Atin in curvy letter forms are located below the images. The images and words are in WHITE color drawn on a CYAN background.	Original Certificate of Registration was issued on July 2, 2015. The 3rd year Anniversary DAU was filed on March 4, 2018 with the IP Office. The 5th year Anniversary DAU is due for filing on July 2, 2021.
SUN BEAM word mark (Class No. 30)	Pilmico Foods Corporation	November 27, 2015	4-2015-013643 April 7, 2016	Application for the word mark "SUN BEAM".	Original Certificate of Registration was issued on April 7, 2016. The 3rd year Anniversary DAU was due for filing on November 27, 2018 but was not filed due to non-use.
SUNLIGHT word mark (Class No. 30)	Pilmico Foods Corporation	November 27, 2015	4-2015-013644 September 1, 2016	Application for the word mark "SUNLIGHT".	Original Certificate of Registration was issued on September 1, 2016. The 3rd year Anniversary DAU was filed on November 27, 2018 with the IP Office. The 5th year Anniversary DAU is due on September 1, 2022.
KIRA word mark (Class No. 30)	Pilmico Foods Corporation	November 27, 2015	4-2015-013645 April 7, 2016	Application for the word mark "KIRA".	Original Certificate of Registration was issued on April 7, 2016. The 3rd year Anniversary DAU was due for filing on November 27, 2018 but was not filed due to non-use.
MOON BEAM word mark (Class No. 30)	Pilmico Foods Corporation	November 27, 2015	4-2015-013642 April 7, 2016	Application for the word mark "MOON BEAM".	Original Certificate of Registration was issued on April 7, 2016. The 3rd year Anniversary DAU was due for filing on November 27, 2018 but was not filed due to non-use.
NUTRA BITE word mark (ClassNo. 30)	Pilmico Foods Corporation	August 30, 2016	4-2016-504397 November 24, 2016	Application for the word mark "Nutra Bite"	Original Certificate of Registration was issued on November 24, 2016. The 3rd year Anniversary DAU is due for filing on August 30, 2019.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
NUTRA BITE logo (Class No. 30)	Pilmico Foods Corporation	August 30, 2016	4-2016-50404401 November 24, 2016	Application for the device mark "Nutra Bite"	Original Certificate of Registration was issued on November 24, 2016. The 3rd year Anniversary DAU is due for filing on August 30, 2019.
THE CARE PACKAGE word mark (Class Nos. 30, 35, 41, 44, 45)	Pilmico Foods Corporation	August 30, 2016	4-2016-504398	Application for the word mark "The Care Package"	The application which was filed on August 30, 2016 is pending with the IP Office. The 3rd year Anniversary DAU is due for filing on August 30, 2019.
THE CARE PACKAGE Device (Class Nos. 30, 35, 41, 44, 45)	Pilmico Foods Corporation	August 30, 2016	4-2016-504400	Application for the logo "The Care Package".	The application which was filed on August 30, 2016 is pending with the IP Office. The 3rd year Anniversary DAU is due for filing on August 30, 2019.
WOODEN SPOON Device (Class No. 30)	Pilmico Foods Corporation	March 15, 1991	4-1991-00054939 May 4, 1993	Application for the device mark "WOODEN SPOON".	Original Certificate of Registration was issued on May 4, 1993. The mark was renewed on May 4, 2013. The 5th year Renewal DAU is due for filing on May 4, 2019.
WOODEN SPOON word mark (additional classes – Class Nos. 35, 43)	Pilmico Foods Corporation	August 30, 2016	4-2016-504396 December 17, 2017	Application for the word mark "WOODEN SPOON" for additional classes Nos. 35 and 43.	Original Certificate of Registration was issued on December 17, 2017. The 3rd year anniversary DAU is due for filing on August 30, 2019.
WOODEN SPOON AND DEVICE (additional classes – Class Nos. 35, 43)	Pilmico Foods Corporation	August 30, 2016	4-2016-504399	Application for the device mark "WOODEN SPOON" for additional classes Nos. 35 and 43.	The application which was filed on August 30, 2016 is pending with the IP Office. The 3rd year Anniversary DAU is due for filing on August 30, 2019.
PILMICO word mark (Class Nos. 5, 29, 30, 31, 35, 43, and 44)	Pilmico Foods Corporation	August 30, 2016	4-2016-504847 March 24, 2017	Application for the word mark "PILMICO"	Original Certificate of Registration was issued on March 24, 2017. The 3rd year Anniversary DAU is due for filing on September 21, 2019.
Silver 168 (Class No. 30)	Pilmico Foods Corporation	September 21, 2016	4-2017-017183 February 22, 2018	Application for the word mark "Silver 168"	Original Certificate of Registration was issued on February 22, 2018. The 3rd year anniversary DAU is due for filing on October 24, 2020.
Yummii word mark (Class No. 30)	Pilmico Foods Corporation	October 24, 2017	4-2017-0503463 December 28, 2017	Application for the word mark "Yummii".	Original Certificate of Registration was issued on December 28, 2017. The 3rd year anniversary DAU is due for filing on August 25, 2020.
Silver Star with Chinese Slogan Device (Class No. 30)	Pilmico Foods Corporation	August 25, 2017	4-2017-017184 February 22, 2018	Application for the device mark "Silver Star with Chinese Slogan Device."	Original Certificate of Registration was issued on February 22, 2018. The 3rd year anniversary DAU is due for filing on October 24, 2020.

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SOLA ALL PURPOSE FLOUR word mark (Class No. 30)	Pilmico Foods Corporation	October 24, 2017	4-2013-00006660 February 20, 2014	Application for the word mark "SOLA ALL PURPOSE FLOUR".	The Original Certificate of Registration was issued on February 20, 2014. The 3rd year Anniversary DAU was filed on December 12, 2016. The 5th year Anniversary DAU is due for filing on February 20, 2020.
PILMICO logo (Class Nos. 5 , 29, 30, 31, 35, 43, and 44)	Pilmico Foods Corporation	June 10, 2013	4-2017-500751 June 2, 2017	Application for the device mark "PILMICO".	The Original Certificate of Registration was issued on June 2, 2017. The 3rd year Anniversary DAU is due for filing on February 21, 2020.
"M" handshake mark (Class Nos. 5, 29, 30, 31, 35, 43, and 44)	Pilmico Foods Corporation	February 21, 2017	4-2017-500744 August 17, 2017	Application for the "M" handshake mark.	The Original Certificate of Registration was issued on August 17, 2017. The 3rd year Anniversary DAU is due for filing on February 20, 2020.
Tinapay Natin word mark (Class No. 41)	Pilmico Foods Corporation	February 20, 2017	04-2018-001238	Application for the word mark "Tinapay Natin".	Pending with the IP Office. The 3rd year Anniversary DAU is due for filing on January 22, 2021.
My Wooden Spoon word mark (Class Nos. 9, 35,38,41)	Pilmico Foods Corporation	January 22, 2018	04-2018-10221	Application for the word mark "My Wooden Spoon".	Pending with the IP Office. The 3rd year Anniversary DAU is due for filing on June 19, 2021.
PIGROW Device (Class Nos. 31 and 34)	Filagri, Inc.	June 19, 2018	4-2012-002465 September 28, 2012	Application for the device mark "PIGROW", with color claim.	Original Certificate of Registration was issued on September 28, 2012. The 3rd year Anniversary DAU was filed on February 28, 2015 with the IP Office. The 5th year Anniversary DAU was filed on September 28, 2018 with the IP Office. The 10th year Anniversary DAU and application for renewal are due for filing on September 28, 2022.
PIGROW MATERNA word mark (Class Nos. 31 and 44)	Filagri, Inc.	February 28, 2012	4-2012-002463 May 24, 2012	Application for the word mark "PIGROW MATERNA".	Original Certificate of Registration was issued on May 24, 2012. The 3rd year Anniversary DAU was filed on February 27, 2015 with the IP Office. The 5th year Anniversary DAU was filed on May 24, 2018 with the IP Office. The 10th year Anniversary DAU and application for renewal are due for filing on May 24, 2022.

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PORK SOLUTIONS word mark (Class No. 31)	Pilmico Animal Nutrition Corporation	February 28, 2012	4-2006-000130 August 20, 2007	Application for the word mark "PORK SOLUTIONS".	Original Certificate of Registration was issued on August 20, 2007. The 3rd year Anniversary DAU was filed on January 5, 2009 with the IP Office. The 5th year Anniversary DAU was filed on October 19, 2012 with the IP Office. The request for renewal of registration was filed on August 7, 2017. The renewal DAU was filed on August 17, 2018. The 5th year Renewal DAU is due on August 20, 2023.
POULTRY SOLUTIONS word mark (Class No. 31)	Pilmico Animal Nutrition Corporation	January 04, 2006	4-2006-000132 August 20, 2007	Application for the word mark "POULTRY SOLUTIONS".	Original Certificate of Registration was issued on August 20, 2007. The 3rd year Anniversary DAU was filed on January 5, 2009 with the IP Office. The 5th year Anniversary DAU was filed on October 19, 2012 with the IP Office. The request for renewal of registration was filed on August 7, 2017. The renewal DAU was filed on August 17, 2018. The 5th year Renewal DAU is due for filing on August 20, 2023.
CIVIC Device (Class No. 31)	Pilmico Animal Nutrition Corporation	August 10, 2012	4-2012-00009841 June 6, 2013	Application for the device mark "CIVIC".	Original Certificate of Registration was issued on June 6, 2013. The 3rd year Anniversary DAU was filed on August 5, 2015 with the IP Office. The 5th year Anniversary DAU is due for filing on June 6, 2019.
TAMERA word mark (Class No. 31)	Pilmico Animal Nutrition Corporation	August 10, 2012	4-2012-00009856 June 6, 2013	Application for the word mark "TAMERA".	Original Certificate of Registration was issued on June 6, 2013. The 3rd year Anniversary DAU was filed on August 5, 2015 with the IP Office. The 5th year Anniversary DAU is due for filing on June 6, 2019.
PILMICO ANIMAL NUTRITION word mark (Class No. 31)	Pilmico Animal Nutrition Corporation	August 10, 2012	4-2012-00009849 June 6, 2013	Application for the word mark "PILMICO ANIMAL NUTRITION".	Original Certificate of Registration was issued on June 6, 2013. The 3rd year Anniversary DAU was filed on August 5, 2015 with the IP Office. The 5th year Anniversary DAU is due for filing on June 6, 2019.
AQUAMAX word mark (Class No. 31)	Pilmico Animal Nutrition Corporation	August 10, 2012	4-2012-00009857 June 6, 2013	Application for the word mark "AQUAMAX".	Original Certificate of Registration was issued on June 6, 2013. The 3rd year Anniversary DAU was filed on February 10, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on June 6, 2019.
CLASSIC word mark (Class No. 31)	Pilmico Animal Nutrition Corporation	August 10, 2012	4-2012-00009844 April 14, 2013	Application for the word mark "CLASSIC".	Original Certificate of Registration was issued on April 14, 2013. The 3rd year Anniversary DAU was filed on August 5, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on April 14, 2019.

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ULTIMAX word mark (Class No. 31)	Pilmico Animal Nutrition Corporation	August 10, 2012	4-2012-009845 April 14, 2013	Application for the word mark "ULTIMAX"	Original Certificate of Registration was issued on April 14, 2013. The 3rd year Anniversary DAU was filed on August 5, 2015 with the IP Office. The 5th year Anniversary DAU is due for filing on April 14, 2019.
POULTRY EXPRESS word mark (Class No. 31)	Pilmico Animal Nutrition Corporation	August 10, 2012	4-2012-009847 April 14, 2013	Application for the word mark "POULTRY EXPRESS".	Original Certificate of Registration was issued on April 14, 2013. The 3rd year Anniversary DAU was filed on August 5, 2015 with the IP Office. The 5th year Anniversary DAU is due for filing on April 14, 2019.
ELITE word mark (Class No. 31)	Pilmico Animal Nutrition Corporation	August 10, 2012	4-2012-009843 April 14, 2013	Application for the word mark "ELITE".	Original Certificate of Registration was issued on April 14, 2013. The 3rd year Anniversary DAU was filed on August 5, 2015 with the IP Office. The 5th year Anniversary DAU is due for filing on April 14, 2019.
ALAS NG SALTO word mark (Class No. 31)	Pilmico Animal Nutrition Corporation	September 25, 2012	4-2012-011803 February 28, 2013	Application for the word mark "ALAS NG SALTO".	Original Certificate of Registration was issued on February 28, 2013. The 3rd year Anniversary DAU was filed on August 5, 2015 with the IP Office. The 5th year Anniversary DAU was filed on February 1, 2019 with the IP Office. The 10th year Anniversary DAU and application for renewal are due for filing on February 28, 2023
AVE MAX word mark (Class No. 31)	Pilmico Animal Nutrition Corporation	August 10, 2012	4-2012-009848 February 8, 2013	Application for the word mark "AVE MAX".	Original Certificate of Registration was issued on February 28, 2013. The 3rd year Anniversary DAU was filed on August 5, 2015 with the IP Office. The 5th year Anniversary DAU was filed on February 8, 2019 with the IP Office. The 10th year Anniversary DAU and application for renewal are due for filing on February 8, 2023
SALTO Device (Class No. 31)	Pilmico Animal Nutrition Corporation	August 10, 2012	4-2012-009850 February 8, 2013	Application for the device mark "SALTO".	Original Certificate of Registration was issued on February 8, 2013. The 3rd year Anniversary DAU was filed on August 5, 2015 with the IP Office. The 5th year Anniversary DAU was filed on February 1, 2019 with the IP Office. The 10th year Anniversary DAU and application for renewal are due for filing on February 8, 2023
ANGAT SARADO word mark (Class No. 31)	Pilmico Animal Nutrition Corporation	September 25, 2012	4-2012-009852 February 8, 2013	Application for the word mark "ANGAT SARADO"	Original Certificate of Registration was issued on February 8, 2013. The 3rd year Anniversary DAU was filed on August 5, 2015 with the IP Office. The 5th year Anniversary DAU was filed on February 1, 2019 with the IP Office. The 10th year Anniversary DAU and application for renewal are due for filing on February 8, 2023

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
BASIC word mark (Class No. 31)	Pilmico Animal Nutrition Corporation	August 10, 2012	4-2012-009853 February 8, 2013	Application for the word mark "BASIC".	Original Certificate of Registration was issued on February 8, 2013. The 3rd year Anniversary DAU was filed on August 5, 2015 with the IP Office. The 5th year Anniversary DAU was filed on February 1, 2019 with the IP Office. The 10th year Anniversary DAU and application for renewal are due for filing on February 8, 2023
LAKAS GATAS word mark (Class No. 31)	Pilmico Animal Nutrition Corporation	August 10, 2012	4-2012-009842 February 8, 2013	Application for the word mark "LAKAS GATAS".	Original Certificate of Registration was issued on February 8, 2013. The 3rd year Anniversary DAU was filed on August 5, 2015 with the IP Office. The 5th year Anniversary DAU was filed on February 8, 2019 with the IP Office. The 10th year Anniversary DAU and application for renewal are due for filing on February 8, 2023
GALLIMAX word mark (Class No. 31)	Pilmico Animal Nutrition Corporation	August 10, 2012	4-2012-009846 February 8, 2013	Application for the word mark "GALLIMAX".	Original Certificate of Registration was issued on February 8, 2013. The 3rd year Anniversary DAU was filed on August 5, 2015 with the IP Office. The 5th year Anniversary DAU was filed on February 1, 2019 with the IP Office. The 10th year Anniversary DAU and application for renewal are due for filing on February 8, 2023
SUPREMECON word mark (Class No. 31)	Pilmico Animal Nutrition Corporation	August 10, 2012	4-2011-003166 July 22, 2011	Application for the word mark "SUPREMECON".	Original Certificate of Registration was issued on July 22, 2011. The 3rd year Anniversary DAU was filed on March 21, 2014 with the IP Office. The 5th year Anniversary DAU was filed on July 22, 2017 with the IP Office. The 10th year Anniversary DAU is due for filing on July 22, 2021.
POWERMIX word mark (Class No. 31)	Pilmico Animal Nutrition Corporation	August 10, 2012	4-2011-006860 January 13, 2012	Application for the word mark "POWERMIX".	Original Certificate of Registration was issued on January 13, 2012. The 3rd year Anniversary DAU was filed on June 9, 2014 with the IP Office. The 5th year Anniversary DAU is was filed on January 13, 2018. The 10th year Anniversary DAU is due for filing on January 13, 2022.
PILMICO FEEDS word mark (Class No. 31)	Pilmico Animal Nutrition Corporation	August 10, 2012	4-2011-010731 March 8, 2012	Application for the word mark "PILMICO FEEDS".	Original Certificate of Registration was issued on March 8, 2012. The 3rd year Anniversary DAU was filed on September 8, 2014 with the IP Office. The 5th year Anniversary DAU was filed on March 6, 2018 with the IP Office. The 10th year Anniversary DAU and application for renewal are due for filing on March 8, 2022.

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GROW YOUR PROFIT word mark (Class No. 31 and 44)	Pilmico Animal Nutrition Corporation	March 21, 2011	4-2013-007729 December 26, 2013	Application for the word mark "GROW YOUR PROFIT".	Original Certificate of Registration was issued on December 26, 2013. The 3rd year Anniversary DAU was filed on June 22, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on December 26, 2019.
PARTNERS FOR GROWTH word mark (Class No. 31)	Pilmico Animal Nutrition Corporation	June 10, 2011	4-2010-000543 July 16, 2010	Application for the word mark "PARTNERS FOR GROWTH"	Original Certificate of Registration was issued July 16, 2010. The 3rd year Anniversary DAU was filed on September 25, 2012 with the IP Office. The 5th year Anniversary DAU was filed on June 22, 2016 with the IP Office. The 10th year Anniversary DAU and application for renewal are due for filing on July 16, 2020.
PILMICO FARMS LOGO (Class No. 31)	Pilmico Animal Nutrition Corporation	September 08, 2011	4-2013-009415 April 17, 2014	Application for the device mark "PILMICO FARMS".	Original Certificate of Registration was issued April 17, 2014. The 3rd year Anniversary DAU was filed on August 7, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on April 17, 2020.
PILMICO FEEDS word mark (Class Nos. 31 and 44)	Pilmico Animal Nutrition Corporation	July 03, 2013	4-2013-009416 April 17, 2014	Application for the word mark "PILMICO FEEDS".	Original Certificate of Registration was issued April 17, 2014. The 3rd year Anniversary DAU was filed on August 6, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on April 17, 2020.
GROWING PIG LOGO (Class Nos. 31 and 44)	Pilmico Animal Nutrition Corporation	January 15, 2010	4-2013-009417 April 17, 2014	Application for the device mark "GROWING PIG LOGO".	Original Certificate of Registration was issued April 17, 2014. The 3rd year Anniversary DAU was filed on August 6, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on April 17, 2020.
GROWING CHICKEN LOGO (Class Nos. 31 and 44)	Pilmico Animal Nutrition Corporation	August 07, 2013	4-2013-009418 April 17, 2014	Application for the device mark "GROWING CHICKEN LOGO".	Original Certificate of Registration was issued April 17, 2014. The 3rd year Anniversary DAU was filed on August 6, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on April 17, 2020.
GROWING QUAIL LOGO (Class Nos. 31 and 44)	Pilmico Animal Nutrition Corporation	August 07, 2013	4-2013-009419 April 17, 2014	Application for the device mark "GROWING QUAIL LOGO".	Original Certificate of Registration was issued on April 17, 2014. The 3rd year Anniversary DAU was filed on August 6, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on April 17, 2020.
GROWING PIGEON LOGO (Class Nos. 31 and 44)	Pilmico Animal Nutrition Corporation	August 07, 2013	4-2013-009420 April 17, 2014	Application for the device mark "GROWING PIGEON LOGO".	Original Certificate of Registration was issued on April 17, 2014. The 3rd year Anniversary DAU was filed on August 6, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on April 17, 2020.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
GROWING DUCK LOGO (Class Nos. 31 and 44)	Pilmico Animal Nutrition Corporation	August 07, 2013	4-2013-009421 December 26, 2013	Application for the device mark "GROWING DUCK LOGO".	Original Certificate of Registration was issued on December 26, 2013. The 3rd year Anniversary DAU was filed on August 6, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on December 26, 2019.
POWERHEAL word mark (Class Nos. 5 and 31)	Pilmico Animal Nutrition Corporation	August 07, 2013	4-2013-014947 April 17, 2017	Application for the word mark "POWERHEAL".	Original Certificate of Registration was issued on April 17, 2017. A Declaration of Non-Use was filed on June 16, 2017.
POWER BOOST word mark (Class No. 31)	Pilmico Animal Nutrition Corporation	August 07, 2013	4-2016-505003 December 8, 2016	Application for the word mark "POWERBOOST".	Original Certificate of Registration was issued on December 8, 2016. The 3rd year Anniversary DAU is due on September 29, 2019.
POWER BOOST AND PIG DEVICE (Class No. 31)	Pilmico Animal Nutrition Corporation	August 07, 2013	4-2016-505000 December 8, 2016	Application for the device mark "POWERBOOST and PIG".	Original Certificate of Registration was issued on December 8, 2016. The 3rd year Anniversary DAU is due on September 29, 2019.
POWER BOOST AND ROOSTER DEVICE (Class No. 31)	Pilmico Animal Nutrition Corporation	December 16, 2013	4-2016-504998 July 29, 2017	Application for the device mark "POWERBOOST and ROOSTER".	Original Certificate of Registration was issued on July 29, 2017. The 3rd year Anniversary DAU is due on September 29, 2019.
POWER BOOST DEVICE (Class No. 31)	Pilmico Animal Nutrition Corporation	September 29, 2016	4-2016-505001 December 8, 2016	Application for the device mark "POWERBOOST" in black and white.	Original Certificate of Registration was issued on December 8, 2016. The 3rd year Anniversary DAU is due on September 29, 2019.
IMMUNO DIGEST word mark (Class No. 31)	Pilmico Animal Nutrition Corporation	September 29, 2016	4-2016 505002 December 8, 2016	Application for the word mark "Immunodigest".	Original Certificate of Registration was issued on December 8, 2016. The 3rd year Anniversary DAU is due on September 29, 2019.
AVEMAX word mark (Class No. 31)	Pilmico Animal Nutrition Corporation	September 29, 2016	4-2017-500952	Application for the word mark "AVEMAX".	Application still pending with the IP Office. The 3rd year Anniversary DAU is due for filing on March 7, 2020.
CIVIC word mark (Class No. 31)	Pilmico Animal Nutrition Corporation	September 29, 2016	4-2017-500955 June 22, 2017	Application for the word mark "CIVIC".	Original Certificate of Registration was issued on June 22, 2017. The 3rd year Anniversary DAU is due for filing on March 7, 2020.
ELITE word mark (Class No. 31)	Pilmico Animal Nutrition Corporation	September 29, 2016	4-2017-500956 June 22, 2017	Application for the word mark "ELITE".	Original Certificate of Registration was issued on June 22, 2017. The 3rd year Anniversary DAU is due for filing on March 7, 2020.
SALTO word mark (Class No. 31)	Pilmico Animal Nutrition Corporation	March 07, 2017	4-2017-500969 July 29, 2017	Application for the word mark "SALTO".	Original Certificate of Registration was issued on July 29, 2017. The 3rd year Anniversary DAU is due for filing on March 8, 2020.
ULTIMAX word mark (Class No. 31)	Pilmico Animal Nutrition Corporation	March 07, 2017	4-2017-006377 September 7, 2017	Application for the word mark "ULTIMAX".	Original Certificate of Registration was issued on September 7, 2017. The 3rd year Anniversary DAU is due for filing on April 26, 2020.

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EGG2GO word mark (Class No. 29)	Pilmico Animal Nutrition Corporation	January 23, 2018	4-2018-001326 September 13, 2018	Application for the word mark, "EGG2GO".	Original Certificate of Registration was issued on September 13, 2018. The 3rd year Anniversary DAU is due for filing on January 23, 2021.
BAGWIS word mark (Class No. 31)	Pilmico Animal Nutrition Corporation	January 23, 2018	4-2018-001327 September 13, 2018	Application for the word mark, "Bagwis".	Original Certificate of Registration was issued on September 13, 2018. The 3rd year Anniversary DAU is due for filing on January 23, 2021.
GUT PROTECH word mark (Class No. 31)	Pilmico Animal Nutrition Corporation	January 23, 2018	4-2018-001328	Application for the word mark, "Gut Protech".	Pending with the IP Office.
WITH GUT PROTECH Device (Class No. 31)	Pilmico Animal Nutrition Corporation	January 23, 2018	4-2018-001329 July 19, 2018	Application for the device mark, "With Gut ProTech".	Original Certificate of Registration was issued on July 19, 2018. The 3rd year Anniversary DAU is due for filing on January 23, 2021.
WORM BUSTER word mark (Class No. 31)	Pilmico Animal Nutrition Corporation	February 2, 2018	4-2018-002030	Application for the word mark "Worm Buster".	Pending with the IP Office. The 3rd year Anniversary DAU is due for filing on February 2, 2021.
WORM BUSTER Device (Class No. 31)	Pilmico Animal Nutrition Corporation	February 2, 2018	4-2018-002029 November 1, 2018	Application for the device mark "Worm Buster".	Original Certificate of Registration was issued on November 1, 2018. The 3rd year Anniversary DAU is due for filing on February 2, 2021.
YOLO! CHICHA, ATBP. Word mark (Class No. 29)	Pilmico Animal Nutrition Corporation	March 15, 2018	4-2018-004853 September 23, 2018	Application for the word mark, "YOLO! Chicha, atbp."	Original Certificate of Registration was issued on September 23, 2018 The 3rd year Anniversary DAU is due for filing on March 15, 2021.
DOK TILAOK word mark (Class Nos. 5,9,31,38)	Pilmico Animal Nutrition Corporation	June 30, 2018	4-2018-010408	Application for the word mark, "Dok Tilaok".	Pending with the IP Office. The 3rd year Anniversary DAU is due for filing on June 20, 2021.
BEAT THE DAY word mark (Class No. 29)	Pilmico Animal Nutrition Corporation	June 25, 2018	4-2018-010792	Application for the word mark "Beat the Day".	Pending with the IP Office. The 3rd year Anniversary DAU is due for filing on June 25, 2021.
TASTE ADVENTURE word mark (Class No. 29)	Pilmico Animal Nutrition Corporation	June 25, 2018	4-2018-010793	Application for the word mark, "Taste Adventure".	Pending with the IP Office. The 3rd year Anniversary DAU is due for filing on June 25, 2021.
ARYA word mark (Class No. 29)	Pilmico Animal Nutrition Corporation	November 4, 2018	4-2018-020473	Application for the word mark, "Arya".	Pending with the IP Office. The 3rd year Anniversary DAU is due for filing on November 14, 2021.
THE GOOD MEAT word mark (Class No. 29 and 43)	Pilmico Animal Nutrition Corporation	December 12, 2018	4-2018-022094	Application for the word mark, "The Good Meat".	Pending with the IP Office. The 3rd year Anniversary DAU is due for filing on December 12, 2021.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
Mata ng Bagyo word mark (Class No. 42)	Weather Philippines Foundation, Inc.	April 15, 2018	4-2013-004262 October 31, 2013	Application for the word mark "Mata ng Bagyo".	Original Certificate of Registration was issued on October 31, 2013. The 3rd year Anniversary DAU was filed on March 18, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on October 31, 2019.
Weather Philippines and Logo (Class No. 42)	Weather Philippines Foundation, Inc.	March 13, 2018	4-2013-002959 August 13, 2015	Application for the device mark "Weather Philippines and Logo", with color claim.	Original Certificate of Registration was issued on August 13, 2015. The 3rd year Anniversary DAU was filed on March 18, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on August 13, 2021.
My Philippines. My Weather. Word mark (Class No. 42)	Weather Philippines Foundation, Inc.	March 13, 2018	4-2013-002961 August 13, 2015	Application for the word mark "My Philippines. My Weather."	Original Certificate of Registration was issued on August 13, 2015. The 3rd year Anniversary DAU was filed on March 18, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on August 13, 2021.
Payong Panahon word mark (Class No. 42)	Weather Philippines Foundation, Inc.	April 15, 2013	4-2013-004261 October 15, 2015	Application for the word mark "Payong Panahon".	Original Certificate of Registration was issued on October 15, 2015. The 3rd year Anniversary DAU was filed on March 18, 2016 with the IP Office. The 5th year Anniversary DAU is due for filing on October 15, 2021.
Weather Philippines #Weather Wiser Nation word mark (Class No. 42)	Weather Philippines Foundation, Inc.	December 15, 2014	4-2014-015257 July 2, 2015	Application for the word mark "WeatherPhilippines #WeatherWiserNation".	Original Certificate of Registration was issued on July 2, 2015. The 3rd year Anniversary DAU was filed on August 25, 2017 with the IP Office. The 5th year Anniversary DAU is due for filing on July 2, 2021.
Weather Solutions and Logo (Class No. 42)	Weather Solutions, Inc.	December 12, 2018		Application for the device mark with words "Weather Solutions", with color claim.	Pending with the IP Office. The 3rd year Anniversary DAU is due for filing on December 12, 2021.
Aboitiz & Device - Black (Class Nos. 30, 36, 37, 39, 40 and 42)	Aboitiz & Co. Inc.	December 19, 2015	4-2005-012408 September 24, 2007	Application for the device mark "Aboitiz (Black)".	Original Certificate of Registration was issued on September 24, 2007. The 3rd year Anniversary DAU was filed on December 19, 2008 with the IP Office. The 5th year Anniversary DAU was filed on September 24, 2013 with the IP Office. The 10th year Anniversary DAU and renewal of registration were filed with the IP Office on September 24, 2017. Renewal DAU was filed on August 24, 2018 with the IP Office. The 5th Year Renewal DAU is due for filing on September 24, 2023.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
Aboitiz & Device - Red (Class Nos. 30, 36, 37, 39, 40 and 42)	Aboitiz & Co. Inc.	December 19, 2005	4-2005-012409 September 24, 2007	Application for the device mark "Aboitiz (Red)".	Original Certificate of Registration was issued on September 24, 2007. The 3rd year Anniversary DAU was filed on December 19, 2008 with the IP Office. The 5th year Anniversary DAU was filed on September 24, 2013 with the IP Office. The 10th year Anniversary DAU and renewal of registration were filed with the IP Office on September 24, 2017. Renewal DAU was filed on August 24, 2018 with the IP Office. The 5th year Renewal DAU is due for filing on September 24, 2023.
Passion for better ways word mark (Class Nos. 30, 36, 37, 39, 40 and 42)	Aboitiz & Co. Inc.	December 19, 2005	4-2005-012413 September 24, 2007	Application for the word mark "Passion for better ways".	Original Certificate of Registration was issued on September 24, 2007. The 3rd year Anniversary DAU was filed on December 19, 2008 with the IP Office. The 5th year Anniversary DAU was filed on September 24, 2013 with the IP Office. The 10th year Anniversary DAU and renewal of registration were filed with the IP Office on June 23, 2017. Renewal DAU was filed on August 24, 2018 with the IP Office. The 5th year Renewal DAU is due for filing on September 24, 2023.
Metaphil Logo (Class Nos. 37, 40 and 42)	Aboitiz Construction Group, Inc.	May 21, 2010	4-2010-005424 November 26, 2010	Application for the device mark "Metaphil Logo", with color claim.	Original Certificate of Registration was issued on November 26, 2010. The 3rd year Anniversary DAU was filed on May 21, 2013 with the IP Office. The 5th year Anniversary DAU was filed on October 7, 2016 with the IP Office. The 10th year Anniversary DAU and application for renewal are due for filing on November 26, 2020.
Metaphil word mark (Class Nos. 37, 40 and 42)	Aboitiz Construction Group, Inc.	July 16, 2010	4-2010-007798 March 24, 2011	Application for the word mark "Metaphil".	Original Certificate of Registration was issued on March 24, 2011. The 3rd year Anniversary DAU was filed on May 21, 2013 with the IP Office. The 5th year Anniversary DAU was filed on March 9, 2017 with the IP Office. The 10th year Anniversary DAU and application for renewal are due for filing on March 24, 2021.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
Aboitiz Construction Logo (Class No. 37)	Aboitiz Construction, Inc.	November 26, 2018	4-2018-021230	Application for the device mark "Aboitiz Construction", with color claim.	Pending with the IP Office. The 3rd year Anniversary DAU is due for filing on November 26, 2021.
Aboitiz Foundation Logo (Class Nos. 35, 41)	Aboitiz Foundation, Inc.	December 5, 2018	04-2018-121744	Application for the device mark "Aboitiz Foundation, Inc." with color claim.	Pending with the IP Office. The 3rd year Anniversary DAU is due for filing on December 5, 2021.
Gold Coin Feed & Device (Class Nos. 31)	Gold Coin Management Holdings Company, Ltd.	July 16, 2010 November 26, 2018 December 05, 2018	04-2015-012383	Application for the logo "Gold Coin Feed".	Registered.

International Trademarks Application (Madrid Protocol)

Trademarks	Applicant	Date Filed	Country of Application	Status
Star Beam Soft Wheat Flour (#1171572) (Class No. 30)	Pilmico Foods Corporation	July 9, 2013	WIPO	On July 9, 2013, the International Bureau of World Intellectual Property Organization issued a Certificate of Registration. Date of Renewal is on July 9, 2023.
			Singapore	On October 20, 2014, the Intellectual Property Office of Singapore (IPOS) issued a Statement of Grant of Protection approving the trademark application effective July 9, 2013 and valid for ten years.
			Turkey	On March 10, 2015, the Turkey Patent Institute Trademarks Department issued a statement granting protection to the subject mark.
			Vietnam	The IP Office's International Bureau was notified by the Office of Vietnam of its approval of Pilmico's trademark application effective July 9, 2013 and valid for ten years.
			South Korea	On May 15, 2014, the Korean Intellectual Property Office (KIPO) issued a Statement of Grant of Protection dated approving Pilmico's trademark application effective July 9, 2013 and valid for ten years.
		December 16, 2015	China	Refused registration in a Notification of Ex Officio Refusal on September 29, 2017.

Trademarks	Applicant	Date Filed	Country of Application	Status
Sun Stream Hard Wheat Flour (#1173340) (Class No. 30)	Pilmico Foods Corporation	July 9, 2013	WIPO	On September 12, 2013, the International Bureau of World Intellectual Property Organization issued a Certificate of Registration. Date of Renewal is on July 9, 2023.
			Singapore	On October 20, 2014, the Intellectual Property Office of Singapore issued a Statement of Grant of Protection approving Pilmico's trademark application effective July 9, 2013 and valid for ten years.
			Turkey	On September 10, 2014, the Turkey Patent Institute Trademarks Department issued a statement granting protection to the subject mark.
			Vietnam	The IP Office's International Bureau was notified by the Office of Vietnam of its approval of Pilmico's trademark application effective July 9, 2013 and valid for ten years.
			South Korea	On May 15, 2014, the Korean Intellectual Property Office (KIPO) issued a Statement of Grant of Protection approving Pilmico's trademark application effective July 9, 2013 and valid for ten years.
		December 16, 2015	China	Refused registration in a Notification of Ex Officio Refusal issued on September 29, 2017.
Star Blaze Soft Wheat Flour (#1173338) (Class No. 30)	Pilmico Foods Corporation	July 9, 2013	WIPO	On September 12, 2013, the International Bureau of World Intellectual Property Organization issued a Certificate of Registration. Date of Renewal is on July 9, 2023.
			Singapore	On September 16, 2014, the IPOS issued a Statement of Grant of Protection to the subject mark until July 9, 2023.
			Turkey	The Turkish Patent Institute Trademarks Department in its Statement dated September 10, 2014 granted protection to the subject mark.
			Vietnam	The IP Office's International Bureau was notified by the Office of Vietnam of its approval of the trademark application effective July 9, 2013 and valid for ten years.
			South Korea	On May 15, 2014, the KIPO issued a Statement of Grant of Protection approving the trademark application effective July 9, 2013 and valid for ten years.
		December 16, 2015	China	Refused registration through a Notification of Ex Officio Refusal dated September 29, 2017.

Trademarks	Applicant	Date Filed	Country of Application	Status
Sun Rays Hard Wheat Flour (#1173337) (Class No. 30)	Pilmico Foods Corporation	July 9, 2013	Singapore	On October 20, 2014, the IPOS issued a Statement of Grant of Protection to the subject mark until July 9, 2023.
			Turkey	The Turkish Patent Institute Trademarks Department in its Statement dated September 10, 2014 granted protection to the trademark application effective July 9, 2013 and valid for ten years.
			Vietnam	The IP Office's International Bureau was notified by the Office of Vietnam of its approval for Pilmico's trademark application effective July 9, 2013 and valid for ten years.
			South Korea	On May 15, 2014, the KIPO issued a Statement of Grant of Protection approving Pilmico's trademark application effective July 9, 2013 and valid for ten years.
		December 16, 2015	China	Refused registration.
Luna Cake Flour (#1173339) (Class No. 30)	Pilmico Foods Corporation	July 9, 2013	WIPO	On July 9, 2013, the International Bureau of World Intellectual Property Organization issued a Certificate of Registration. Date of Renewal is on July 9, 2023.
			South Korea	On May 15, 2014, the KIPO issued a Statement of Grant of Protection approving Pilmico's trademark application effective July 9, 2013 and valid for ten years.
			Turkey	Refused registration.
			Singapore	Refused registration.
			Vietnam	Refused registration.
		December 16, 2015	China	On September 29, 2017, the Trademark Office of China issued a Statement of Grant of Protection.
Sola All Purpose Flour (#1341959) (Class No. 30)	Pilmico Foods Corporation	February 12, 2016	WIPO	On February 12, 2016, the World Intellectual Property Organization issued a Certificate of Registration. Date of Renewal is on February 12, 2026.
			Singapore	On September 22, 2017, the Intellectual Property Office of Singapore issued a Statement of Grant of Protection.
			Turkey	The Turkish Patent and Trademark Office issued a statement to the effect that it has found no grounds for provisional refusal of the registration of the mark but the protection of the mark is still subject to opposition by third parties from June 27, 2017 to August 27, 2017.
			Vietnam	Refused registration in a Notification of Provisional Refusal on April 11, 2018.
			South Korea	On December 4, 2017, the KIPO issued a Statement of Grant of Protection approving the trademark application effective February 12, 2016.
			China	Application is still pending.

Trademarks	Applicant	Date Filed	Country of Application	Status
PILMICO word mark (#1392327) (Class Nos. 5, 29, 30, 31, 35, 43, and 45)	Pilmico Foods Corporation	March 16, 2017	WIPO	On March 16, 2017 the International Bureau of World Intellectual Property Organization issued a Certificate of Registration. Date of Renewal is on March 16, 2027.
			USA (Guam)	USPTO completed its ex officio examination and found no grounds for refusal, subject to opposition or observations beginning November 27, 2018. Publication date is November 27, 2018.
Aquamax (#1372599) (Class No. 31)	Pilmico Animal Nutrition Corporation	April 24, 2017	USA	On November 27, 2017, a Total Provisional Refusal of Protection was issued. Pilmico Animal Nutrition Corporation advised not to contest the refusal.
			Singapore	On May 1, 2018, the Intellectual Property Office of Singapore issued a Statement of Grant of Protection.
Civic (#1377276) (Class No. 31)	Pilmico Animal Nutrition Corporation	August 30, 2017	USA	On April 3, 2018, the US Patent and Trademark Office issued a Statement of Grant of Protection.
			Singapore	On June 6, 2018, a Statement of Grant of Protection was issued.
Elite (#1377277) (Class No. 31)	Pilmico Animal Nutrition Corporation	August 30, 2017	USA	On January 8, 2018, a Total Provisional Refusal of Protection was issued. Pilmico Animal Nutrition Corporation advised not to contest the refusal.
			Singapore	On June 21, 2018, the Intellectual Property Office of Singapore issued a Statement of Grant of Protection.
Gallimax (#1372097) (Class No. 31)	Pilmico Animal Nutrition Corporation	June 29, 2017	USA	On March 6, 2018, the US Patent and Trademark Office issued a Statement of Grant of Protection.
			Singapore	On April 17, 2018, the Intellectual Property Office of Singapore issued a Statement of Grant of Protection.
Powermix (#1372598) (Class No. 31)	Pilmico Animal Nutrition Corporation	April 24, 2017	USA	On March 3, 2018, the US Patent and Trademark Office issued a Statement of Grant of Protection
			Singapore	On January 18, 2018, a Total Provisional Refusal of Protection was issued. Pilmico Animal Nutrition Corporation advised not to contest the refusal.
Ultimax (#1404587) (Class No. 31)	Pilmico Animal Nutrition Corporation	November 20, 2017	USA	On September 25, 2018, the US Patent and Trademark Office issued a Statement of Grant of Protection.
			Singapore	On November 22, 2018, the Intellectual Property Office of Singapore issued a Statement of Grant of Protection.

AEV and its Subsidiaries have other pending trademark under the Madrid Protocol for the following countries: Brunei, China, Indonesia, Cambodia, Laos, Singapore, Thailand, Vietnam, Ghana, and the United States of America.

International Trademarks Application (Non-Madrid Protocol)

Trademarks	Applicant	Date Filed	Country of Application	Status
PILMICO (#304120550) (Class Nos. 5, 29, 30, 31, 35, 43, and 44)	Pilmico Foods Corporation	April 25, 2017	Hong Kong	On November 9, 2017, the Trade Marks Registry Intellectual Property Department issued a Certificate of Registration for the trade mark PILMICO valid until April 24, 2027.
PILMICO (#493122018) (Class Nos. 5, 29, 30, 31, 35, 43, and 44)	Pilmico Foods Corporation	August 21, 2018	Myanmar	The mark was registered on August 31, 2018.
Elite (4-2016-32520) (Class Nos. 5, 31, 44)	Pilmico Foods Corporation	October 18, 2016	Vietnam	The application was denied by the NOIP of Vietnam. Pilmico decided not to file for opposition.
Gallimax -313090 (Class Nos. 5, 31, 44)	Pilmico Foods Corporation	October 18, 2016	Vietnam	The mark was registered on January 15, 2019.
Avemax -312261 (Class Nos. 5, 31, 44)	Pilmico Foods Corporation	October 18, 2016	Vietnam	The mark was registered on December 27, 2018.
GOLD COIN & Device -8212 (Class No. 21)	Gold Coin Services Singapore Pte. Ltd.	August 19, 1991	Brunei Darussalam	Registered.
GOLD COIN & Device -8210 (Class No. 1)	Gold Coin Services Singapore Pte. Ltd.	August 19, 1991	Brunei Darussalam	Registered.
GOLD COIN & Device -8211 (Class No. 5)	Gold Coin Services Singapore Pte. Ltd.	August 19, 1991	Brunei Darussalam	Registered.
GOLD COIN & Device -8214 (Class No. 31)	Gold Coin Services Singapore Pte. Ltd.	August 19, 1991	Brunei Darussalam	Registered.
GOLD COIN & Device -8213 (Class No. 29)	Gold Coin Services Singapore Pte. Ltd.	August 19, 1991	Brunei Darussalam	Registered.
Gold Coin, Chinese characters & Device (19385/03) (Class No. 31)	Gold Coin Management Holdings Limited	December 19, 2013	Cambodia	Registered.
GOLD COIN (3505731) (Class No. 31)	Gold Coin Management Holdings, Ltd.	April 14, 2004	China	Registered.
GOLD COIN FEED & Chinese characters & device (3021536) (Class No. 31)	Gold Coin Management Holdings, Ltd.	November 28, 2002	China	Registered.
Gold Coin, Chinese Characters and device (300776) (Class No. 31)	Gold Coin Management Holdings, Ltd.	October 10, 1987	China	Registered.
JIN QIAN BAO in Chinese Character (3011619) (Class No.31)	Gold Coin Management Holdings, Ltd.	November 28, 2002	China	Registered.

Trademarks	Applicant	Date Filed	Country of Application	Status
JIN QIAN HUANG in Chinese Characters (8080015) (Class No. 31)	Gold Coin Management Holdings, Ltd.	April 21, 2011	China	Registered.
JIN QIAN in Chinese Character (3505730) (Class No. 31)	Gold Coin Management Holdings, Ltd.	April 14, 2004	China	Registered.
JIN QIAN LE in Chinese Character (8080016) (Class No. 31	Gold Coin Management Holdings, Ltd.	April 21, 2011	China	Registered.
Yu Li in Chinese Characters (532462) (Class No. 31)	Gold Coin Management Holdings, Ltd.	October 30, 1990	China	Registered.
(9338648) (Class No. 31)	Gold Coin (Zhangzhou) Company Limited	April 28, 2012	China	Registered
Gold Coin, Chinese characters & Device -199601055 (Class No. 31)	Gold Coin Management Holdings Limited	February 1, 1996	Hong Kong	Registered.
Gold Coin, WANG EMAS & Chinese characters device -644125 (Class No. 31)	Gold Coin Management Holdings, Ltd.	October 26, 1994	India	Registered.
AYAMAS (IDM000212187) (Class No. 29)	Gold Coin Management Holdings, Ltd.	April 6, 1999	Indonesia	Registered.
GOLD COIN & UANG MAS and Device (IDM000248677) (Class No. 31)	Gold Coin Management Holdings, Ltd.	February 1, 1990	Indonesia	Registered. Assigned to Gold Coin Services Singapore Pte Limited on October 1, 2016. Registration of assignment is pending with the Indonesian Trademark Office.
Gold Coin, Chinese characters & Device (N/012262) (Class No. 31)	Gold Coin Management Holdings Limited	January 8, 2004	Macao	Registered.
GOLD COIN & Device (M/066884) (Class No. 1)	Gold Coin Management Holdings, Ltd.	October 21, 1974	Malaya	Registered. Assigned to Gold Coin Services Singapore Pte Limited on October 1, 2016. Registration of assignment is pending with the Trademark Office.
GOLD COIN & Device (M/066886) (Class No. 21)	Gold Coin Management Holdings, Ltd.	October 21, 1974	Malaya	Registered. Assigned to Gold Coin Services Singapore Pte Limited on October 1, 2016. Registration of assignment is pending with the Trademark Office.

Trademarks	Applicant	Date Filed	Country of Application	Status
GOLD COIN & Device (M/066885) (Class No. 5)	Gold Coin Management Holdings, Ltd.	October 21, 1974	Malaya	Registered. Assigned to Gold Coin Services Singapore Pte Limited on October 1, 2016. Registration of assignment is pending with the Trademark Office.
GOLD COIN & Device (M/066887) (Class No. 29)	Gold Coin Management Holdings, Ltd.	October 21, 1974	Malaya	Registered. Assigned to Gold Coin Services Singapore Pte Limited on October 1, 2016. Registration of assignment is pending with the Trademark Office.
GOLD COIN & Device (M/066888) (Class No. 31)	Gold Coin Management Holdings, Ltd.	October 21, 1974	Malaya	Registered. Assigned to Gold Coin Services Singapore Pte Limited on October 1, 2016. Registration of assignment is pending with the Trademark Office.
ENCAP & Device (91005005) (Class No. 30)	Gold Coin Services Singapore Pte Limited	August 24, 1991	Malaysia	Registered.
ENCAP & Device (91005003) (Class No. 3)	Gold Coin Services Singapore Pte Limited	August 24, 1991	Malaysia	Registered.
ENCAP & Device (91005006) (Class No. 31)	Gold Coin Services Singapore Pte Limited	August 24, 1991	Malaysia	Registered.
ENCAP & Device (91005004) (Class No. 5)	Gold Coin Services Singapore Pte Limited	August 24, 1991	Malaysia	Registered.
Gold Coin, WANG EMAS & Chinese characters Device (87002355) (Class No. 29)	Gold Coin Services Singapore Pte Limited	June 12, 1987	Malaysia	Registered.
Gold Coin & Device (4/3780/2017) (Class No. 31)	Gold Coin Management Holdings Limited	April 5, 2017	Myanmar	Registered.
Gold Coin, WANG EMAS & Chinese characters Device (A52255) (Class No. 31)	Gold Coin Management Holdings Limited	November 11, 1980	Papua New Guinea	Registered
GOLD COIN & Device (S/018303) (Class No, 31)	Gold Coin Management Holdings Limited	October 21, 1974	Sabah	Registered.
GOLD COIN & Device (S/018302) (Class No. 29)	Gold Coin Services Singapore Pte Limited	October 21, 1974	Sabah	Registered. Assigned to Gold Coin Services Singapore Pte Limited on October 1, 2016. Registration of assignment is pending with the Trademark Office.

Trademarks	Applicant	Date Filed	Country of Application	Status
GOLD COIN & Device (S/018300) (Class No. 5)	Gold Coin Services Singapore Pte Limited	October 21, 1974	Sabah	Registered. Assigned to Gold Coin Services Singapore Pte Limited on October 1, 2016. Registration of assignment is pending with the Trademark Office.
GOLD COIN & Device (S/018301) (Class No. 21)	Gold Coin Services Singapore Pte Limited	October 21, 1974	Sabah	Registered. Assigned to Gold Coin Services Singapore Pte Limited on October 1, 2016. Registration of assignment is pending with the Trademark Office.
GOLD COIN & Device (S/018299) (Class No. 1)	Gold Coin Services Singapore Pte Limited	October 21, 1974	Sabah	Registered. Assigned to Gold Coin Services Singapore Pte Limited on October 1, 2016. Registration of assignment is pending with the Trademark Office.
GOLD COIN & Device (R/017137) (Class No. 1)	Gold Coin Services Singapore Pte Limited	August 25, 1983	Sarawak	Registered. Assigned to Gold Coin Services Singapore Pte Limited on October 1, 2016. Registration of assignment is pending with the Trademark Office.
GOLD COIN & Device (R/017136) (Class No. 21)	Gold Coin Services Singapore Pte Limited	August 25, 1983	Sarawak	Registered. Assigned to Gold Coin Services Singapore Pte Limited on October 1, 2016. Registration of assignment is pending with the Trademark Office.
GOLD COIN & Device (R/017135) (Class No. 31)	Gold Coin Services Singapore Pte Limited	August 25, 1973	Sarawak	Registered. Assigned to Gold Coin Services Singapore Pte Limited on October 1, 2016. Registration of assignment is pending with the Trademark Office.
GOLD COIN & Device (R/013574) (Class No. 29)	Gold Coin Services Singapore Pte Limited	October 29, 1974	Sarawak	Registered. Assigned to Gold Coin Services Singapore Pte Limited on October 1, 2016. Registration of assignment is pending with the Trademark Office.
GOLD COIN BRAND WANG EMAS with Chinese Characters device (R/013576) (Class No. 5)	Gold Coin Services Singapore Pte Limited	October 29, 1974	Sarawak	Registered. Assigned to Gold Coin Services Singapore Pte Limited on October 1, 2016. Registration of assignment is pending with the Trademark Office.
ENCAP & Device (T9107668I) (Class No. 5)	Gold Coin Management Holdings Limited	August 15, 1991	Singapore	Registered.

Trademarks	Applicant	Date Filed	Country of Application	Status
ENCAP & Device (T9107670J) (Class No. 31)	Gold Coin Management Holdings Company, Ltd.	August 15, 1981	Singapore	Registered.
ENCAP & Device (T9107667J) (Class No. 3)	Gold Coin Management Holdings Limited	August 15, 1991	Singapore	Registered.
ENCAP & Device (T9107669G) (Class No. 30)	Gold Coin Management Holdings Limited	August 15, 1991	Singapore	Registered.
GOLD COIN & Device (T7462342A) (Class No. 1)	Gold Coin Management Holdings Limited	October 16, 1974	Singapore	Registered.
GOLD COIN & Device (T7462346D) (Class No. 31)	Gold Coin Management Holdings Limited	October 16, 1974	Singapore	Registered.
GOLD COIN & Device (T7462345F) (Class No. 29)	Gold Coin Management Holdings Company, Ltd.	October 16, 1974	Singapore	Registered.
GOLD COIN & Device (T7462344H) (Class No. 21)	Gold Coin Management Holdings Company, Ltd.	October 16, 1974	Singapore	Registered.
GOLD COIN & Device (T7462343Z) (Class No. 5)	Gold Coin Management Holdings Company, Ltd.	October 16, 1974	Singapore	Registered.
GOLD COIN BRAND ZUELLIG WANG EMAS with Chinese Characters & device (T9105225I) (Class No. 1)	Gold Coin Management Holdings Company, Ltd.	May 24, 1991	Singapore	Registered.
GOLD COIN & Device (39635) (Class No. 31)	Gold Coin (Ci) Limited	January 5, 1979	Sri Lanka	Registered. Assigned to Gold Coin Management Holdings Company, Ltd. on June 2, 2006. Registration of the assignment is pending with the Trademark Office.
GOLD COIN SPECIALITIES & Thai Characters and Device (Kor87762) (Class No. 31)	Gold Coin Management Holdings Company, Ltd.	December 27, 1996	Thailand	Registered.
Gold Coin, WANG EMAS & Chinese characters Device (TM135370) (Class No. 42)	Gold Coin Management Holdings Company, Ltd.	January 28, 1991	Thailand	Registered.
Gold Coin Feed & Device -123293 (Class No. 31)	Gold Coin Management Holdings Limited	April 17, 2009	Vietnam	Registered.
Gold Coin Feed & Device -123294 (Class No. 31)	Gold Coin Management Holdings Limited	April 17, 2009	Vietnam	Registered.

Trademarks	Applicant	Date Filed	Country of Application	Status
Gold Coin, Chinese characters and Device (5263) (Class Nos. 29, 30, 31)	Gold Coin Management Holdings Company, Ltd.	January 18, 1992	Vietnam	Registered.
Gold Coin, Kim Tien & Device (66493) (Class Nos. 29, 31)	Gold Coin Management Holdings Company, Ltd.	June 22, 2004	Vietnam	Registered.
AMERICAN FEEDS COMPANY (25581) (Class Nos. 5, 31)	American Feeds Company	August 29, 2016	Vietnam	Registered.
MAXFEED (55052) (Class No. 31)	American Feeds Company	December 7, 2001	Vietnam	Registered.
ViDan (52296) (Class No. 31)	American Feeds Company	September 4, 2002	Vietnam	Registered.
AF (71663) (Class No. 31)	American Feeds Company	November 21, 2003	Vietnam	Registered.
AF-Plus (71664) (Class No. 31)	American Feeds Company	November 21, 2003	Vietnam	Registered.
AF Sự Lựa Chọn Thông Minh Của Nhà Nông INTELLIGENT FARMERS' CHOICE (84729) (Class No. 31)	American Feeds Company	January 25, 2005	Vietnam	Registered.

Based from WIPO Global Brand Database

AEV and its Subsidiaries have other pending trademark applications to individual countries such as Bangladesh, Vietnam, Indonesia, Malaysia, and Thailand.

(x) Government Approvals

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

International Animal Nutrition

The Gold Coin Group, with companies and plant operations across different ASEAN countries, have secured the necessary registrations, permits, and licenses to allow it to do business in the following countries: China, Indonesia, Malaysia, Thailand, Sri Lanka.

(xi) Effect of Existing or Probable Governmental Regulations

1. The Tax Reform for Acceleration and Inclusion (TRAIN Law)

The TRAIN Law was signed into law by President Rodrigo Roa Duterte on December 19, 2017 and took effect on January 1, 2018. Its declared policies are: (a) enhance the progressivity of the tax system through the rationalization of the Philippine internal revenue tax system, thereby promoting sustainable and inclusive economic growth, (b) provide, as much as possible, an equitable relief to a greater number of taxpayers and their families in order to improve levels of disposable income and increase economic activity; and (c) ensure that the government is able to provide for the needs of those under its jurisdiction and care through the provision of better infrastructure, health, education, jobs, and social protection for the people.

One of the major provisions of the TRAIN Law is the staggered increase in oil and coal excise taxes. Under the TRAIN Law, rates will be adjusted gradually between 2018 and 2020. For coal, the rates will increase from ₱10 per metric ton to ₱50, ₱100, and ₱150 per metric ton, respectively, in 2018, 2019, and 2020, covering both domestic and imported coal.

Further, the TRAIN Law repeals Section 9 of RA 9511 or the National Grid Corporation of the Philippines Act, which removes the VAT exemptions on transmission charges and on the sale of electricity by cooperatives duly registered under the Cooperative Development Authority (CDA). The estimated impact on the cost of electricity are as follows:

Additional cost

All figures in ₱

			Current	Generation	Transmission						
	kWh consumption	Current cost per kWh		Coal	Diesel/Bunker	Distribution	UCME	Total	Estimated new total cost	Percent increase	
Grid (Meralco)	100	7.80	780.00	2.00	4.40	8.18	0.00	0.38	14.96	794.96	1.92
Grid (non-Meralco, NEA)	100	8.80	880.00	2.00	4.40	5.91	0.00	0.38	12.69	892.69	0.44
Grid (non-Meralco, CDA)	00	8.80	880.00	2.00	4.40	5.91	7.18	0.38	19.87	899.87	2.26
SPUG (NEA , coal powered)	00	11.30	1,130.00	4.00	0.00	0.00	0.00	0.38	4.38	1,134.38	0.39
SPUG (CDA, coal powered)	00	11.30	1,130.00	4.00	0.00	0.00	10.17	0.38	14.55	1,144.55	1.29
SPUG (NEA, diesel/ bunker powered, full pass-through)	00	11.30	1,130.00	0.00	7 1.00	0.00	0.00	0.00	71.00	1,201.00	6.28
SPUG (CDA, diesel/ bunker powered, full pass-through)	00	11.30	1,130.00	0.00	7 1.00	0.00	10.17	0.00	8.7	2.70	7.8
SPUG (NEA, diesel/ bunker powered, subsidized)	00	11.30	1,130.00	0.00	0.00	0.00	0.00	0.38	0.38	30.38	0.03
SPUG (CDA, diesel/ bunker powered, subsidized)	00	11.30	1,130.00	0.00	0.00	0.00	10.17	0.38	0.55	40.55	0.93

Sources: Department of Energy (DOE), Kuryente.org, and DOF staff estimates
Notes: Estimates are based on the following assumptions:
i. An additional PHP 2.50 per liter increase in the excise tax of diesel and bunker fuel.
ii. An average increase to PHP 1.00 in excise tax per metric ton of coal.

Another major change introduced by the TRAIN Law is the refund mechanism of zero-rated sales and services under the enhanced VAT refund system. Upon the successful establishment and implementation of an enhanced VAT refund system, refunds of creditable input tax shall be granted by the Bureau of Internal Revenue (BIR) within 90 days from filing of the VAT refund application with the BIR, provided that all pending VAT refund claims of the taxpayer as of December 31, 2017 shall be fully paid in cash by December 31, 2019. The zero-rated transactions covered by this refund mechanism are the following:

(a) Sale of raw materials or packaging materials to a nonresident buyer for delivery to a resident local export-oriented enterprise;
(b) Sale of raw materials or packaging materials to export-oriented enterprise whose export sales exceed 70% of total annual production;
(c) Those considered export sales under Executive Order No. 226, otherwise known as the Omnibus Investment Code of 1987, and other special laws;
(d) Services performed by subcontractors and/or contractors in processing, converting, of manufacturing goods for an enterprise whose export sales exceed 70% of total annual production; and
(e) Processing, manufacturing or repacking goods for other persons doing business outside the Philippines which goods are subsequently exported, where the services are paid for in acceptable foreign currency and accounted for in accordance with the rules and regulations of Bangko Sentral ng Pilipinas.

Finally, the TRAIN Law doubled the documentary stamp tax (DST) on almost all covered instruments, except debt instruments where the increase is 50%. Only the DST on instruments pertaining to property insurance, fidelity bonds, other insurance, indemnity bonds, deeds of sale, and conveyance remain unchanged.

The Corporate Tax Reform and Fiscal Incentives Modernization is the second package of the Comprehensive Tax Reform Program of the Duterte Administration ("Package 2"). In his State of the Nation Address on July 23, 2018, the President certified Package 2 as a priority legislative measure.

The House of Representatives approved its version of Package 2, House Bill No. No. 8083 or the Tax Reform for Attracting Better and Higher Quality Opportunities ("Trabaho") bill, on third and final reading on September 10, 2018. On the other hand, the Senate's version, Senate Bill No. No. 1906, has been pending with the Committee of Ways and Means since August 6, 2018.

Package 2, which the Department of Finance (DOF) claims to be revenue-neutral, proposes to gradually lower the corporate income tax ("CIT") rate while modernizing the fiscal incentives to make them performance-based, targeted, time-bound, and transparent for a more competitive fiscal incentives system for investments. Pursuant to HB No. 8083, from 30%, the CIT shall be 28% beginning January 1, 2021; 26% beginning January 1, 2023; 24% beginning January 1, 2025; 22% beginning January 1, 2027; and 20% beginning January 1, 2029. On the other hand, under SB No. 1906, the CIT rate shall be 25% upon the effectivity of Package 2.

2. Data Privacy Act of 2012

The Data Privacy Act of 2012 is a comprehensive and strict privacy legislation aimed to protect the fundamental human right of privacy by: (a) protecting the privacy of individuals while ensuring free flow of information; (b) regulating the collection, recording, organization, storage, updating or modification, retrieval, consultation, use, consolidation, blocking, erasure or destruction of personal data; and (c) ensuring that the Philippines complies with international standards set for data protection through National Privacy Commission (NPC).

Intended to protect the privacy of individuals, it mandates companies to inform the individuals about how their personal information are collected and processed. It also ensures that all personal information must be (a) collected and processed with lawful basis, which includes consent, and only for reasons that are specified, legitimate, and reasonable; (b) handled properly, ensuring its accuracy and retention only for as long as reasonably needed; and (c) discarded properly to avoid access by unauthorized third parties.

Its Implementing Rules and Regulations took effect on September 9, 2016, mandating all Philippines companies to comply with the following: (a) appointment of a Data Protection Officer; (b) conduct of a privacy impact assessment; (c) creation of a privacy knowledge management program; (d) implement a privacy and data protection policy; and (e) establish a breach reporting procedure. In addition, companies with at least 250 employees or access to the personal and identifiable information of at least 1,000 individuals are required to register their data processing systems with the National Privacy Commission.

In 2017, AEV launched its data privacy compliance program, which includes the implementation of Information Security Management System (ISMS) for the entire Aboitiz Group. Expected time of completion for this compliance program is by the fourth quarter of 2019.

3. The Philippine Competition Act

The Philippine Competition Act (R.A. 10667) is aimed to promote and protect fair market competition. It is intended to improve consumer protection and preserve the efficiency of market competition by establishing the Philippine Competition Commission (PCC) to implement the following: (a) prohibition against entities from entering into anti-competitive horizontal and vertical agreements that substantially prevent, restrict, or lessen competition; (b) proscription on abuse of dominant position, which refers to conduct by dominant players that substantially prevents, restricts, or lessens competition (e.g., predatory pricing, tying and bundling, or imposing barriers to entry by new player, etc); (c) regulation or prevention of anti-competitive mergers and acquisitions; and (d) imposition of fines and criminal penalties.

In 2018, the PCC issued Memorandum Circular No. 18-001, which adjusted the thresholds for the compulsory notification of mergers and acquisitions from ₱1 bn for both the Size of Person and Size of Transaction tests to ₱5 bn for the Size of Person and ₱2 bn for the Size of Transaction as defined in the Implementing Rules and Regulations. The same memorandum circular also provided that unless otherwise modified or repealed by the Commission, the thresholds set out in Rule 4, Section 3 of the Implementing Rules and Regulations, as amended, shall be automatically adjusted commencing on March 1, 2019 and on March 1st of every succeeding year, using as index the Philippine Statistics Authority's official estimate of the nominal Gross Domestic Product (GDP) growth of the previous calendar year rounded up to the nearest hundred millions. The annual nominal GDP from 2017 to 2018 grew by 10.23%.

Based on the nominal GDP growth, the PCC issued Advisory 2019-001, notifying the public of the adjustment of the thresholds:

Adjusted Thresholds to be Implemented		
Test	Old Threshold (2018)	New Threshold (effective March 1, 2019)
Size of Person Test	₱5 bn	₱5.6 bn
Size of Transaction Test	₱2 bn	₱2.2 bn

This means that the value of the assets or revenues of the Ultimate Parent Entity (UPE) of at least one of the parties must exceed ₱5.6 bn instead of ₱5 bn. The UPE is the entity that, directly or indirectly, controls a party to the transaction, and is not controlled by any other entity. In addition, the value of the assets or revenues of the acquired entity must exceed ₱2.2 bn instead of ₱2 bn. Both thresholds must be breached in order for the compulsory notification requirement to apply. The new thresholds will not apply to (a) transactions already pending review with the PCC, (b) notifiable transactions consummated before March 1, 2019, and (c) transactions already decided by the PCC.

The Aboitiz Group, in its effort to create shareholder value by growing its businesses and in the conduct of its business practices, closely monitors its compliance with the Philippine Competition Act.

4. General Banking Law of 2000 and the Issuances of Bangko Sentral ng Pilipinas

AEV's banking and financial services group adhere to the provisions of the General Banking Law of 2000 (RA 8791) and the Anti-Money Laundering Act of 2001 (RA 9160), as amended. Rules and regulations issued by the BSP in the forms of circulars, circular letters, and memoranda relevant to the business of AEV are compiled together in the (a) Manual of Regulations for Banks, and (b) the Manual of Regulations for Foreign Exchange Transactions. These manuals are updated by the BSP through issuances of supervisory and regulatory policies, which AEV's banking and financial services group regularly monitor.

5. Anti-Money Laundering Laws and Know Your Customer Procedures

UnionBank and its Subsidiaries comply with the Anti-Money Laundering Act of 2001 (RA 9160), as amended, its Implementing Rules and Regulations, and regulatory issuances of the BSP. The Bank adheres to the Know Your Customer (KYC) rules and customer due diligence requirements of both the law and regulations from the start of bank-client relationship until its termination.

Since June 2015, UnionBank and its Subsidiaries have put in place a new AML System equipped with monitoring tools and reporting capabilities. Beginning September 2016, UnionBank has likewise implemented a real-time sanctions screening system to screen transactions that pass through the SWIFT network. Since 2017, UnionBank has also implemented monitoring processes for transactions within a certain threshold. KYC process remains to be robust through documentation of client information, determination of acceptable IDs for transactions, and senior management approval, where warranted.

Finally, on an annual basis, UnionBank, through its Compliance and Corporate Governance Office, provides annual formal AML trainings to the members of the Board of Directors, Senior Management and its branches. Senior

Management, branches and other units are also required to take the annual electronic AML refresher module in coordination with HR Group and the Compliance and Corporate Governance Office.

6. Electric Power Industry Reform Act of 2001 (EPIRA)

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

(a) Wholesale Electricity Spot Market (WESM)

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

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

DOE, ERC, and PEMC issued the amended Joint Resolution No. 2 on December 27, 2013 adjusting the WESM Offer Price Ceiling from ₱62,000.00 per MWh to ₱32,000.00 per MWh. In May 2014, the ERC issued an urgent resolution imposing a WESM interim secondary price cap of ₱6,245.00 per MWh in the WESM. In December 2014, the ERC adopted a permanent pre-emptive mitigation measure, where the price cap of ₱6,245.00 per MWh would be imposed in the event the average spot price in WESM would exceed ₱9,000.00 per MWh over a rolling seven day period.

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

In 2015, DOE Circular 2015-10-0015 entitled *"Providing Policies for Further Enhancement of the Wholesale Electricity Spot Market (WESM) Design and Operations"* enhancing WESM Design as follows:

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

On May 17, 2017, PEMC filed an application docketed as ERC Case No. 2017-042 RC for the approval of the Price Determination Methodology for the WESM, which includes, inter alia, (a) scheduling and pricing of energy and reserves, and (b) revised settlement formula. Hearings are ongoing.

(b) WESM in Mindanao

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:

(i) Establishment of Mindanao WESM Transition Committee, which will be one of the committees under the PEMC Board;
(ii) 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;
(iii) Conduct of the Trial Operation Program for the WESM;
(iv) Automatic termination of IMEM; and
(v) Implementation of an Interim Protocol to govern the dispatch and scheduling of power generation plants, while the WESM is still not operational.

As of December 2018, trial operations were ongoing to ensure the readiness of eventual WESM participants in Mindanao. According to the DOE, the target commercial operations of the WESM in Mindanao is set on June 2019, although this would still require the promulgation of the new Price Determination Methodology currently pending in the ERC.

(c) Independent Electricity Market Operator (IEMOP)

On February 04, 2018, DOE issued Circular DC2018-01-0002, setting the policy governing the establishment of an independent market operator (IMO) of the WESM. The policy outlines the mandates of DOE and ERC over the IMO, 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 IEMOP as an independent market operator, with PEMC remaining as WESM's governing body. Previously, PEMC oversees both the operations and governance functions of WESM. The transition also entails the reconstitution of the PEMC Board, with the DOE Secretary relinquishing his chairmanship, paving the way for a PEMC independent of government.

On September 26, 2018, IEMOP formally took over operations of the WESM from PEMC thereby signifying the government's transfer of WESM operations to the private sector. IEMOP facilitates the registration and participation of generating companies, distribution utilities, directly connected customers or bulk users, suppliers and contestable customers in the WESM. It also determines the hourly schedules of generating units that will supply electricity to the grid, as well as the corresponding spot-market prices of electricity via its Market Management System.

(d) Retail Competition and Open Access (Open Access)

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

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

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

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

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

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

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

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

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

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

On May 27, 2016, MERALCO filed a Petition for Declaratory Relief, docketed as SCA No. 4149-PSG, with a prayer for the issuance of a Temporary Restraining Order (TRO) and/or Writ of Preliminary Injunction to: (a) enjoin the DOE and the ERC from enforcing and implementing: (i) DOE Circular No. DC2015-06-0010 in connection with the full implementation of RCOA, (ii) Article 1, Sections 2 and 3 of ERC Resolution No. 5, Series of 2016, (iii) ERC Resolution

No. 10, Series of 2016 on the revised rules for contestability, and (iv) ERC Resolution No. 11, Series of 2016 regarding restrictions imposed on the operations of DUs and RES in the CREM; and (b) declare the said DOE Circular and ERC Resolutions void. On July 13, 2016, a Writ of Preliminary Injunction enjoining the implementation of the issuances of the ERC was granted by Branch 157, RTC of Pasig City. The ERC and the DOE, assailing the jurisdiction of the RTC, separately filed Petitions for *Certiorari* and Prohibition before the Supreme Court on July 5, 2016 (G.R. No. 225141) and on September 27, 2016 (G.R. No. 226800), respectively.

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

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

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

In a letter to MEZ dated November 7, 2017, the ERC through Commissioner Alfredo J. Non, stated that:

> *"Distribution Utilities are reminded to facilitate the switch of contestable customers as the said TRO did not operate to suspend the implementation of RCOA, which is still effective. The RCOA scheme is still effective and the rules governing the same, except for those covered by the TRO, are valid and enforceable."*

In this letter, the ERC also reminded MEZ to refrain from any action which would prevent the implementation of the contestability of 1 MW and above in the CREM and the voluntary switch of Contestable Customer to and/or from RES.

On November 29, 2017, the DOE promulgated DC2017-12-0013 entitled *"Providing Policies on the Implementation of Retail Competition and Open Access (RCOA) for Contestable Customers in the Philippine Electric Power Industry."* The circular provides, *inter alia*, that: (a) upon the effectivity of Circular, all Contestable Customers with a monthly average peak demand of 750 kW and above, for the preceding 12 months, may participate in the Contestable Market; (b) by June 26, 2018 or on an earlier date specified by the ERC, all eligible electricity end-users to become Contestable Customers with a monthly average peak demand of 500 kW to 749 kW for the preceding 12 months may voluntarily participate in the Contestable Market; and (c) by December 26, 2018 or on an earlier date specified by the ERC, electricity end-users within a contiguous area whose aggregate average peak demand is not less than 500 kW for the preceding 12-month period may aggregate their demand to be part of the Contestable Market and may voluntarily enter into RSC with the Aggregators.

On November 29, 2017, the DOE promulgated DC2017-12-0014 entitled *"Providing Policies on the Implementation of Retail Competition and Open Access (RCOA) for Retail Electricity Suppliers (RES) Philippine Electric Power Industry."* The circular provides the list of entities that may become RES. The circular also stipulates that distribution utilities may provide electricity services to Contestable Customers within its franchise area as a Local RES upon authorization from the ERC. The EPIRA provides for a system of Open Access to transmission and distribution wires, whereby Transco, its concessionaire, the NGCP, and any distribution utility may not refuse the use of their wires by qualified persons, subject to the payment of transmission and distribution retail wheeling charges.

(e) Unbundling of Rates and Removal of Subsidies

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

(f) Reduction of Taxes and Royalties on Indigenous Energy Resources

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

(g) Proposed Amendments to the EPIRA

Since the enactment of the EPIRA in 2001, members of Congress have proposed various amendments to the law and its implementing rules and regulations. A summary of the significant proposed amendments are as follows:

(i) Classification of power projects as one of national significance and imbued with public interest;
(ii) Exemption from Value Added Tax (VAT) of the sale of electricity by generation companies;
(iii) Modification of the definition of the term "Aggregator," which is proposed to refer to a person or entity engaged in consolidating electric power demands of end-users of electricity in the contestable market, for the purpose of purchasing, reselling, managing for optimum utilization of the aggregated demand, or simply pooling the tendering process in looking for a supply of electricity on a group basis;
(iv) Requirement for distribution utilities to conduct public and competitive selection processes or Swiss challenges for the supply of electricity and to fully or adequately contract their future and current energy and demand requirements;
(v) Grant of access to electric cooperatives over the missionary electrification fund collected through universal charges;
(vi) Exclusion of the following items from the rate base charged by Transco and distribution utilities to the public: corporate income tax, value of the franchise, value of real or personal property held for possible future growth, costs of over-adequate assets and facilities, and amount of all deposits as a condition for rendition and continuation of service;
(vii) Regulation of generation, transmission, distribution and supply rates to allow RORB up to 12%;
(viii) Classification of power generation and supply sectors as public utilities, which would be required to secure legislative franchises;
(ix) Prohibition of cross-ownership between generation companies and distribution utilities or any of their subsidiaries, affiliates, stockholders, officials or directors, or the officials, directors, or other stockholders of such subsidiaries or affiliates, including the relatives of such stockholders, officials or directors within the fourth civil degree of consanguinity;
(x) Prohibition against or restriction on distribution utilities from sourcing electric power supply requirements, under bilateral electric power supply contracts, from a single generation company or from a group of generating companies wholly-owned or controlled by the same interests;
(xi) Lowering of the allowable extent of ownership, operation and control of a company or related groups as determined from the installed generating capacity of the grid and/or nationally installed generating capacity;
(xii) Exemption or deferral of the privatization of some assets of NPC, such as the Unified Leyte (Tongonan) Geothermal Complexes, Agus and Polangui Complexes, and Angat Dam;
(xiii) Expansion of the definition of host communities to include all barangays, municipalities, cities and provinces or regions where hydro generation facilities are located and where waterways or water systems that supply water to the dam or hydroelectric power generating facility are located;
(xiv) Prohibition on distribution utilities, except rural electric cooperatives to recover systems losses and placing a 5% cap on recoverable system loss;
(xv) Imposition of a uniform franchise tax for distribution utilities equivalent to 3% of gross income in lieu of all taxes;
(xvi) Grant of authority for NPC to generate and sell electricity from remaining assets;
(xvii) Removal of the requirement of a joint congressional resolution before the President may establish additiona power generating capacity in case of imminent shortage of supply of electricity; and
(xviii) Creation of a consumer advocacy office under the organizational structure of the ERC.

7. Implementation of the Performance-based Rating-setting Regulation (PBR)

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

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

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

On December 22, 2015, Matuwid na Singil sa Kuryente Consumer Alliance, Inc. (MSK) filed a petition proposing a modified RORB methodology or a modified PBR methodology, wherein the distribution utilities' capital expenditures and rate recovery thereon are approved in advance but the charges to the customers will only commence after the investments have actually been made and validated by ERC auditors. Public consultations were held in Metro Manila, Cebu, and Davao.

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

(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 abovementioned ERC rules have not been published yet for its effectivity. Due to the rules change on PBR, AboitizPower Distribution Utilities have not undergone the third regulatory period.

8. Philippine Distribution Code and the Philippine Grid Code

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

On October 5, 2016, ERC approved the 2016 Edition of the Philippine Grid Code in Resolution No. 22, Series of 2016.

On February 27, 2018 ERC approved the 2017 Philippine Distribution Code in Resolution No. 02, Series of 2018. Pertinent additions and revisions include:

(i) Establishment of connection and operational requirements for Embedded Generating plants, both conventional and variable renewable energy (VRE) source;
(ii) Classificaiton of Embedded Generating plants according to their characteristics and installed capacity;
(iii) Specified procedures for new connection and modifications of existing connection to guide prospective project proponents in connecting to the distribution system;
(iv) Application of the PDC to entities duly authorized to operate a distribution system within the Economic Zones;
(v) Removal of administrative loss as part of system loss and non distinction of technical and non-technical loss caps;
(vi) Addition of members representing the Market Operator and the largest Distribution Utility to be added to the Distribution Management Committee (DMC); and
(vii) Harmonization of PRC with PGC 2016 Edition, the Market Rules of the WESM, and subsequent rules and guidelines issued by the ERC applicable to Distribution Systems.

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

9. The Renewable Energy Act of 2008 (RE Law)

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

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

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

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

Pursuant to Department Circular No. DO2009-05-008 dated May 25, 2009 (Rules and Regulations Implementing the Renewable Energy Act of 2008), the DOE, the BIR, and the Department of Finance shall, within six months from its issuance, formulate the necessary mechanism and/or guidelines to implement the entitlement to the general incentives and privileges of qualified renewable energy developers. The six-month deadline was not met and to date no specific guidelines or regulations have been issued by the relevant implementing agencies. As a result, the renewable energy companies of AboitizPower, such as APRI, LHC, Hedcor Sibulan, Hedcor Tamugan, SN Aboitiz Power-Magat, and SN Aboitiz Power-Benguet filed, on August 6, 2010, a request before the BIR Law Division for a ruling on the application of zero-rated VAT on all its local purchases of goods and services needed for the development of renewable energy plant facilities, exploration and development of renewable energy sources and their conversion into power. As of February 2019, the said request is still pending with the BIR Law Division.

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

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

In line with the increase in installation target for solar energy from 50 MW to 500 MW and wind energy from 200 MW to 400 MW, the ERC issued Resolution No. 6 Series of 2015 approving the Solar FIT2 rate of ₱8.69/kWh for the second set of installation target. On October 6, 2015, the ERC issued Resolution No. 14, Series of 2015 adopting the Wind FIT2 rate of ₱7.40/kWh. On September 29, 2016, a Petition for Rule Making was filed by Alternergy Wind One Corporation, Petrowind Energy, Inc., and Trans-Asia Renewable Energy Corporation seeking to amend Resolution No. 14, Series of 2015, and praying to increase the Wind FIT2 rate of ₱7.40/kWh to ₱7.93/kWh. A public consultation was held on the Petition for Rule Making on January 6, 2017. Through a letter dated February 23, 2018, DOE informed ERC of its resolution extending the FIT for Biomass and ROR Hydro until December 31, 2019, which prompted ERC to undergo public consultations for the amendments to the ERC Resolution No. 10, Series of 2012.

On November 23, 2018, ERC issued an Order and Notice of Proposed Rule-Making soliciting comments from interested parties on the NREB's proposed new run-of-river FIT and biomass FIT of ₱5.8705/kWh and ₱6.5969/kWh, respectively. Public consultations were scheduled in January 2019.

Acting upon the application of Transco as Fund Administrator of the FIT Allowance (FIT-All), the ERC issued its final approval for the FIT-All of ₱0.0406 per kWh, for calendar years 2014 and 2015. Subsequently, Transco filed an application for approval of the FIT-All for calendar year 2016. In an Order dated February 16, 2016, the ERC provisionally approved a FIT-All of ₱0.1240 per kWh. In a Decision dated May 9, 2017, the ERC authorized Transco to collect an additional FIT-All of ₱0.0590 per kWh, thereby bringing the FIT-All to ₱0.1830 per kWh.

On December 22, 2017, the DOE promulgated the "Rules and Guidelines Governing the Establishment of the Renewable Portfolio Standards for On-Grid Areas" or the "RPS On-Grid Rules," which: (a) requires mandated electric power industry participants to source or produce portion of their electricity requirements from eligible renewable energy resources, (b) establishes a minimum annual incremental RE percentage, (c) prescribes the eligible renewable energy facilities and the compliance mechanism, (d) monitor the compliance of mandated electric power industry participants, and (e) provide penalties for non-compliance.

10. ERC Regulation on Systems Loss Cap Reduction

In February 2018, 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 would 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 filed with ERC its individualized system loss cap application with technical loss cap at 7.48% and non-technical loss cap at 1.77%. A public hearing on the application was held on August 2, 2018.

11. Proposed Power Supply Agreement (PSA) Rules

On October 20, 2015, ERC issued Resolution No. 13, Series of 2015, entitled, "A Resolution Directing All Distribution Utilities (DUs) to Conduct a Competitive Selection Process (CSP) in the Procurement of their Supply to the Captive Market." This resolution provides that a PSA shall be awarded to a winning Generation Company following a competitive selection process or by direct negotiation, after at least two failed Competitive Supply Process (CSP). ERC Resolution 13-2015 was restated in ERC Resolution No. 1, Series of 2016, entitled, "A Resolution Clarifying the Effectivity of ERC Resolution No. 13, Series of 2015."

ERC Resolution No. 1, Series of 2016 further clarified that automatic renewal clauses or extension of PSAs will no longer be permitted. However, PSAs approved by the ERC or filed with the ERC before the effectivity of this Resolution may have one automatic renewal or extension for a period of one year from the end of their respective terms.

On February 9, 2018, the DOE issued Department Circular No. DC2018-02-0003, modifying the existing policy on CSP of power suppy contracting, followed by all distribution utilities. Distribution utilities are now mandated by the DOE to undertake the creation of an independent, five-man third-party bids and awards committee (TPBAC) that will manage the CSP. The circular also allows the distribution utilities to conduct CSP through an accredited third-party auctioneer.

ERC is currently revising its "Rules Governing the Execution, Review and Evaluation of Power Supply Agreements Entered Into by Distribution Utilities for the Supply of Electricity to their Captive Market", under ERC Case No. 2018-002 RM. To date, the rules have undergone public consultation and is currently on the second draft. The draft Rules did not recognize the DOE's TPBAC, and likewise allowed for the Swiss Challenge for unsolicited proposals. The Company has submitted its comments and still awaiting for the final Rules from the ERC.

12. Pricing and Cost Recovery Mechanism (PCRM)

Reserves are forms of ancillary services that are essential to the management of power system security. The provision of reserves facilitates orderly trading and ensures the quality of electricity.

As provided in the WESM rules, when reasonably feasible, the WESM Market Operator, in coordination with the WESM System Operator, shall establish and administer a spot market for the purchase of certain reserve categories. The reserve categories that shall be traded in the WESM are regulating, contingency and dispatchable reserves as well as interruptible loads in lieu of reserves.

The WESM Reserve PCRM is intended to supplement the WESM Price Determination Methodology for purposes of providing the details of formula and procedures by which reserve trading amounts and reserve cost recovery charges for the categories of reserve that will be traded in the WESM are calculated. Once approved by the ERC, this Reserve PCRM will apply to all reserve categories traded in the WESM and will supersede, to this extent, the Ancillary Services Cost Recovery Mechanism of the Transco.

The Reserve PCRM covers the determination of: (a) reserve trading amounts of reserve providers; (b) reserve cost recovery charges; and (c) administered reserve prices and reserve cost recovery charges. To date, the Reserve PCRM is the subject of an application by the WESM Market Operator, which is pending the approval of the ERC.

On December 2, 2014, DOE Circular No. 2014-12-0022, otherwise known as the Central Scheduling and Dispatch of Energy and Contracted Reserves, was issued. The circular aims to prepare the market participants in the integration of ancillary reserves into the WESM. The ancillary service providers will be paid based on their respective ASPAs with NGCP, while the scheduling of capacity and energy will be based on market results.

On September 14, 2018, NGCP filed a petition seeking the Commission's approval of its proposed amendments to the Ancillary Services - Cost Recovery Mechanism. AboitizPower has submitted its initial comments and will submit additional comments and attend the public consultations scheduled throughout January and February 2019.

13. DOE Circular Directing All Power Generation Companies, the Transmission Service Provider, and All Distribution Utilities to Ensure Adequate and Reliable Electric Power Supply in the Country

Under DOE Department Circular No. 2010-03-0003 dated February 26, 2010, generation companies are enjoined to ensure the availability of their generation facilities at all times subject only to technical constraints duly communicated to the WESM System Operator in accordance with existing rules and procedures. For this purpose, generation companies shall have, among others, the following responsibilities:

(i) All generation companies shall operate in accordance with their maximum available capacity which shall be equal to the registered maximum capacity of the (aggregate) unit less: (1) forced unit outages, (2) scheduled unit outages, and (3) de-rated capacity due to technical constraints which include: (i) plant equipment related failure and ambient temperature, (ii) hydro constraints which pertain to limitation on the water elevation/turbine discharge and megawatt output of the plant, and (iii) geothermal constraints which pertain to capacity limitation due to steam quality, steam pressure and temperature variation, well blockage and limitation on steam and brine collection and disposal system;

(ii) Oil-based generation companies shall maintain an adequate in-country stocks of fuel equivalent to at least 15 days of running inventory which includes shipments in transit;

(iii) Coal power plants shall ensure the required 30-day coal running inventory which includes shipments in transit;

(iv) During scheduled maintenance of the Malampaya natural gas facilities, all affected generation companies shall maintain at least 15 days of running inventory of alternative fuel and shall operate at full capacity;

(v) All generation companies with natural gas-fired, geothermal and hydroelectric generating plants shall submit to the DOE a monthly report on the current status and forecast of the energy sources of its generating plants;

(vi) All generation companies must notify and coordinate with the system operator of any planned activity such as the shutdown of its equipment; and

(vii) Generation companies shall seek prior clearance from the DOE regarding any plans for deactivation or mothballing of existing generating units or facilities critical to the reliable operation of the Grid.

(xii) Amount Spent on Research and Development Activities

AEV and its Subsidiaries do not allocate specific amounts or fixed percentages for research and development. All research and developmental activities are done by its Subsidiaries and Affiliates on a per project basis. The allocation for such activities may vary depending on the nature of the project.

The Gold Coin Group's research and development activities are supported by five research facilities located in Malaysia, Indonesia & China, covering both livestock and aqua products.

(xiii) Costs and Effects of Compliance with Environmental Laws

AEV's Subsidiaries and Affiliates are subject to extensive, evolving and increasingly stringent safety, health and environmental laws and regulations. These standard laws and regulations that govern the business operations are the Philippine Clean Air Act (RA 8749), Ecological Solid Waste Management Act (RA 9003), Clean Water Act (RA 9275), Toxic Substances and Hazardous and Nuclear Wastes Control Act (RA 6969), and Philippine Environmental Impact Statement System (Presidential Decree No. 1586), address, among other things, air emissions, wastewater discharges, the generation, handling, storage, transportation, treatment and disposal of toxic and hazardous chemicals, materials and waste, workplace conditions, and employee exposure to hazardous substances. Each Business Unit within the Group have appointed and designated Pollution Control Officer to closely monitor compliance with the requirements of these regulations.

The Group has incurred, and is expected to continuously incur, operating costs to comply with these laws and regulations. However, these costs cannot be segregated or itemized as these are embedded in, and are part and parcel of, each Business Unit's overall system in compliance with both industry standards and regulatory requirements.

(xiv) Employees

On the parent company level, AEV has a total of 298 employees, as of February 28, 2019, composed of executives, managers, supervisors, and rank and file employees. There is no existing collective bargaining agreement (CBA) covering AEV employees.

The following table provides a breakdown of total employee headcount per strategic Business Unit, divided by function, as of February 28, 2019:

	Employees						
Number of Employees	AEV	UnionBank and Subsidiaries	Pilmico and Subsidiaries	AboitizLand and Subsidiaries	PETNET	RCBM and Subsidiaries	AboitizPower and Subsidiaries
Executives	62	220	35	18	15	7	161
Managers	69	1,335	83	38	56	144	332
Supervisors	62	1,233	218	188	180	353	802
Rank & File	105	784	463	131	849	399	2,505
TOTAL	**298**	**3,572**	**824**	**375**	**1,100**	**903**	**4,489**
Unionized Employees	N/A	784	25	N/A	N/A	662	660
Expiry of CBA	N/A	2020	May 31, 2020	N/A	N/A	N/A	N/A

The Company does not anticipate any increase in manpower within the next 12 months unless new development projects and acquisitions materially require an increase.

International Animal Nutrition

The following table provides a breakdown of total employee headcount per country, divided by function, as of January 31, 2019:

Business Group	Number of Employees					Unionized Employees	Expiry of Collective Bargaining Agreement (CBA)
	Total	Executives	Managers	Supervisors	Rank & File		
China	623	5	32	41	410	N/A	N/A
Indonesia	731	11	30	66	463	178	December 31, 2019
Malaysia East	183	3	8	26	123	N/A	N/A
Malaysia West	262	43	31	18	92	41	December 31, 2019
Thailand	104	2	9	7	75	N/A	N/A
Sri Lanka	99	1	2	8	53	N/A	N/A
Brunei	65	1	2	12	36	N/A	N/A
Myanmar	1	0	1	0	0	N/A	N/A
Singapore	32	8	8	0	13	N/A	N/A
Vietnam	850	2	45	70	564	N/A	N/A

(xv) Major Risk/s Involved in the Business of AEV and its Subsidiaries

An integral part of AEV's Enterprise Risk Management efforts is to anticipate, understand and manage the risks that the company may encounter in the businesses it is involved in.

1. Regulatory Risks

Due to the type of industries the Group is engaged in – power, food, banking, real estate, infrastructure, and portfolio investments – AEV and its Subsidiaries are exposed to risks arising from the inability to anticipate new and/or changes in existing laws and regulations.

The recent acquisition of the Gold Coin Group, which is headquartered in Singapore and operates in several countries across the ASEAN Region, has brought about not only opportunities but also a variety of risks. This includes risk arising from non-familiarity with the regulatory and political landscape for each country where Gold Coin operates.

Though each industry where the Aboitiz Group operates has specific regulatory risks, the common factor is the dynamic, political and regulatory landscape that the Aboitiz Group has to comply with regulation compliance. Failure to do so will have negative consequence on both the Aboitiz Group's net income and its reputation.

To keep up with the fast changing regulatory and political landscape, AEV ensures that the following actions/ processes are in place:

(i) Collaboration of internal subject matter experts (e.g. government relations, legal, tax, and regulatory) to study and analyze proposed new/changes in laws and regulations;
(ii) Continuous coordination and discussions with regulators to: (a) provide feedback on the proposed laws and regulations; and (b) ensure the Company's interpretation of the laws is aligned with the regulators; and
(iii) Coordination with the management of newly acquired companies and come up with unified approach on how to address regulatory risks.

To further address this risk, AEV is developing a Unified Compliance Management System based on the Governance, Risk and Compliance (GRC) methodology. A compliance framework was defined and is being supported by policies, guidelines and procedures. The goal is to improve compliance management and oversight using the greater availability of data and information. This system also supports the objective of embedding a culture of managing compliance risk in the Aboitiz Group.

2. Information Security Risks

AEV is cognizant to the continuous increase of information security incidents happening globally as well as the increasingly complex challenges of digital transformations. AEV's management understands that information security threats should be addressed in order to avoid these breaches, which can have catastrophic implications not only on the organization's bottom line but also to its reputation.

To address this risk, the Aboitiz Group aims to strengthen its security and resilience for the potential consequences of information security breaches through the ongoing roll-out of the Information Security Management System (ISMS) Project and implementation of Cyber Security Program and Operational Technology (OT) Security Governance. These initiatives will cover the three pillars of Information and Operational Systems Security: People, Process, and Technology.

The ISMS Project roll-out started in 2017 and will transition to program implementation in 2019. To ensure sustainable implementation of this program, appropriate structures have been in place which includes a formal governance structure and policies based on the 14 ISMS domains.

The Company also continues to work on its goal to achieve an information security risk-aware culture by releasing IT Security Awareness advisories across the Group and ISMS E-Learning campaigns. These aim to strengthen the prevention, detection, and comprehensive response processes throughout the Aboitiz Group and keep pace with the growing information security threat landscape.

3. Business Interruption Due to Natural and Man-made Calamities

A significant portion of AEV's risk management program is dedicated to address business interruption exposures of the Aboitiz Group brought about by natural calamities such as tyhoons, floods, and earthquakes. In addition to standard perils, AEV also highly recognizes the emerging man-made calamities such as cyber attacks, which is continuously increasing globally, and acts of terrorism.

AEV and its Subsidiaries have progressively strengthened their reactive and recovery measures to address potential interruptions in business operations by partnering with insurance providers in conducting trainings and engineering surveys to realistically align the exposures with the best-fit insurance solutions. A partnership with Weather Philippines Foundation, Inc. also helps to better prepare for weather related business disruptions and minimize the impact of these events to operations. A communication process across all business units and external support (e.g. Hospital, Fire Department) has been institutionalized for support and back-up system.

Existing business interruption scenarios and continuity plans for each of these scenarios are constantly reviewed, evaluated, and updated through "table top exercises" and "lessons learned" sessions to ensure that they remain relevant with the current business conditions. In addition, teams are prepared for emergencies through mandatory trainings and drills while testing and improving procedures are performed on an ongoing basis.

To further improve the existing Business Continuity Management (BCM) framework and practices of the Group, AEV and its Subsidiaries commenced a Business Continuity Audit that started in 2017 and was completed in 2018. The audit assessed the BCM Maturity of the Aboitiz Group and its conformity to ISO 22301:2012. Output of the audit is a Business Continuity Roadmap which will outline the direction and basis of BCM initiatives for the next three years.

4. Financial Risks

In the course of its operations, AEV and its Subsidiaries is exposed to the following financial risks:

(i) Financing risk in terms of the Aboitiz Group's inability to borrow money to fund future projects;
(ii) Refinancing and liquidity risks arising from balloon / bullet payments for existing loans;
(iii) Interest rate risks resulting from the increasing cost to borrow money as a result of inflation; and
(iv) Foreign exchange (forex) risks in terms of foreign exchange fluctuations that may significantly affect its foreign currency-denominated placements, transactions and borrowings.

Aside from the negative effect to the Aboitiz Group's net income, these risks would also put constraints on AEV and its Subsidiaries plans of growth. Furthermore, failure to pay existing loans will eventually lead to reputation risk.

To address these risks, the Aboitiz Group has taken the following actions:

(i) Regular monitoring of the its cash position;
(ii) Issuance of retail bonds;
(iii) Maintaining good relationship with the banks; and
(iv) Strengthening of Financial Risk Management to ensure a consistent approach in identifying, assessing, quantifying and mitigating financial risks across the Aboitiz Group.

5. Reputation Risk

AEV and its Subsidiaries recognized reputation as its greatest strength and most valuable asset. Focus is given on sustainability initiatives and programs such as A-Park, Wealth on Waste and Race to Reduce that will help the Aboitiz Group in minimizing the likelihood of this risk. In addition, AEV is in the process of developing communication plan which aims to build and strengthen trust through stakeholder engagement and communication.

6. Talent Risk

Continuous expansion of AEV and its Subsidiaries brought about challenges on the capability of the current workforce to support it. Furthermore, as the Group embarked on various digital transformation projects, nature of the Company's requirements has evolved making it more complex and complicated. There is also the increasingly competitive market, locally and abroad, for high demand talents (e.g. digital roles). These challenges have made it more difficult for the Aboitiz Group to source and match fitting talent.

Inability to prepare and minimize the impact of this risk will entail potential delay in the execution of various initiatives which could eventually lead to missed business opportunities. Also, heavy workload of the existing employees may have a negative effect on their psychological well-being.

To address this, AEV has identified various sourcing channel and have optimized available technological attraction tools such as LinkedIn. In addition, there is also the ongoing initiative to enhance the brand of Aboitiz as an employer and embed Strategic Workforce Planning to Business Strategic Planning.

7. Emerging Risks

Embedded in the risk management process is the continuous identification and monitoring of emerging risks. Emerging risk is currently defined as newly developing risks that cannot yet be fully assessed (due to high uncertainty) but could have a major impact on an organization in the future.

AEV recognizes the need to anticipate, understand, and prepare for these potential risks triggered by the continuous and fast-paced changes in the political, economic, social, technological, legal, and environmental where AEV and its Subsidiaries operates.

To address this need, Subject Matter Experts (SMEs) closely monitor their area of expertise for potential changes. These changes are communicated to the Group Risk Management Team for further study and analysis, specifically on the potential impact to the Group. AEV management has also included Emerging Risks as part of the Risk Management Council and Board Risk and Reputation Management Committee regular agenda.

Item 2. Properties

The office space occupied by AEV is leased from a third party.

On a consolidated basis, the property, plant and equipment of the Group were valued at ₱221.4 bn and ₱213.2bn as of December 31, 2018 and 2017, respectively. Breakdown of these assets is as follows:

PROPERTY, PLANT AND EQUIPMENT AS OF DECEMBER 31	2018	2017
Power, Plant & Equipment	₱168,392,131	₱141,329,134
Construction in progress	39,242,736	57,029,925
Buildings, Warehouses and Improvements	28,756,480	26,193,431
Transmission & Distribution Equipment	19,495,933	17,438,847
Machinery & Equipment	10,483,739	6,723,759
Office Furniture, Fixtures and Equipment	7,826,031	6,893,434
Leasehold Improvements	3,518,928	3,614,646
Land	2,453,360	2,262,109
Transportation Equipment	2,703,481	2,293,513
Flight Equipment	718,996	713,675
Handling Equipment	255,589	255,589
Others	1,762,302	1,660,612
	285,609,706	266,408,674
Less: Accumulated Depreciation and Amortization	61,044,425	50,527,974
Less: Accumulated Impairment	**3,134,440**	**2,648,160**
TOTALS	**₱221,430,841**	**₱213,232,540**

Note: *Values for the above table are in thousand Philippine Pesos.*

Property, plant and equipment with carrying amount of ₱126.9 bn and ₱125.4 bn as of December 31, 2018 and 2017, respectively, are used to secure the Group's long-term debts. For further details refer to Note 19 (disclosure on Long-term Debts) of the attached AEV 2018 consolidated financial statements.

Locations of Principal Properties and Equipment of AEV Subsidiaries are as follows:

SUBSIDIARY	DESCRIPTION	LOCATION/ADDRESS	CONDITION
Cotabato Light	Industrial land, buildings/plants, equipment and machineries	Sinsuat Avenue, Cotabato City	In use for operations
Davao Light	Industrial land, buildings/plants, equipment and machineries	P. Reyes Street, Davao City: Bajada, Davao City	In use for operations
VECO	Industrial land, buildings/plants, equipment and machineries	Jakosalem Street, Cebu City and J. Panis Street, Cebu City	In use for operations
Pilmico	Industrial land, buildings/plants, equipment and machineries	Kiwalan Cove, Dalipuga, Iligan City	In use for operations
Hedcor	Hydropower plants	Kivas, Banengneng, Benguet; Beckel, La Trinidad, Benguet; Bineng, La Trinidad, Benguet; Sal-angan, Ampucao, Itogon, Benguet; and Bakun, Benguet	In use for operations
Hedcor Sibulan	Hydropower plant	Santa Cruz, Sibulan, Davao del Sur	In use for operations
Hedcor Tudaya	Hydropower plant	Santa Cruz, Sibulan, Davao del Sur	In use for operations
Hedcor Sabangan	Hydropower plant	Namatec, Sabangan, Mountain Province	In use for operations
Aseagas	Raw land and improvements	Lian, Batangas	Ceased operations
CPPC	Bunker-C thermal power plant	Cebu City, Cebu	In use for operations
EAUC	Buncker-C thermal power plant	Lapu-Lapu City, Cebu	In use for operations
APRI	Geothermal power plants	Tiwi, Albay; Caluan, Laguna; Sto. Tomas, Batangas	In use for operations
TMI	Barge-mounted diesel power plants	Nasipit, Agusan del Norte and Barangay San Roque, Maco, Compostela Valley	In use for operations
PANC	Industrial land, buildings/plants, eqpt. & machineries	Barangay Sto. Domingo ll, Capas, Tarlac	In use for operations
TMO	Barge-mounted diesel power plants	Navotas Fishport, Manila	Inactive*
GMCP	Coal-fired thermal power plant	Mariveles, Bataan	In use for operations
TVI	Land	Bato, Toledo, Cebu	For plant site
LEZ	Industrial land, buildings/plants, equipment and machineries	Lipa City and Malvar, Batangas	In use for operations
BEZ	Buildings/plants, equipment and machineries	Balamban, Cebu	In use for operations
TSI	Coal-fired thermal power plants	Davao City and Davao del Sur	In use for operations

* *On January 4, 2019, AboitizPower, disclosed to the PSE TMO's commercial inactivity since June 26, 2018 following the absence of an approved power supply agreement.*

SUBSIDIARY	DESCRIPTION	LOCATION/ADDRESS	CONDITION
AboitizLand	Raw land and improvements	Metro Cebu, Balamban, Cordova, Mactan, Liloan, Samar, Misamis Oriental, Davao	Existing or undergoing development; for future use
Lima Land	Raw land and improvements	Lipa and Malvar, Batangas	Existing or undergoing development; for future use
PETNET	Raw land and improvements	Better Living Subdivision, Paranaque City	In use for operations
PETNET	Raw land and improvements	J. Catolico Avenue cor Matco Road Lagao General Santos City	In use for operations
RCBM	Cement manufacturing plants	Barangay Minuyan, Norzagaray, Bulacan; Bo. Bigte, Norzagaray, Bulacan; Bo. Mapulo, Taysan, Batangas; Baranagay Dulumbayan, Teresa, Rizal	In use for operations
RCBM	Cement grinding stations	Bo. Dungo-an, Danao, Cebu	In use for operations
RCII	Cement grinding plant	Baranagay Kiwalan, Iligan City, Iligan	In use for operations

International Animal Nutrition

Locations of Principal Properties and Equipment of Gold Coin Group are as follows:

SUBSIDIARY	DESCRIPTION	LOCATION/ADDRESS	CONDITION
GCKM	Livestock mill (broiler, swine and fish feeds)	Kunming, Yunnan Province, China	In use for operations
GCZZ	Livestock mill (swine, broiler, pigeon feeds and SN products)	Zhangzhou, Fujian Province, China	In use for operations
GCZH	Livestock mill (poultry, swine, floating fish feeds and SN products)	Zhuhai, Guangdong Province, China	In use for operations
GCDG	Livestock mill (poultry, swine, floating fish and pigeon feeds)	Dongguan, Guangdong Province, China	In use for operations
GCFM-BW	Livestock mill (poultry broiler feed)	West Malaysia	In use for operations
GCFM-PK	Livestock mill (poultry broiler feed)	West Malaysia	In use for operations
GCSSB	Aqua mill (shrimp feed)	Selangor, Malaysia	In use for operations
GCS	Production mill (poultry broiler and layer feed; conducts commodities trading for the region)	Sarawak, East Malaysia	In use for operations
BFF	Production mill (fish meal)	Sarawak, East Malaysia	In use for operations
GCFS	Livestock mill (poultry broiler feed)	Sabah, East Malaysia	In use for operations
GCIBKS	Livestock mill (poultry layer and broiler feed)	Bekasi, Indonesia	In use for operations
GCIMDN	Livestock mill (poultry layer and broiler feed)	Medan, Indonesia	In use for operations

SUBSIDIARY	DESCRIPTION	LOCATION/ADDRESS	CONDITION
GCISBY	Livestock mill (poultry layer and broiler feed)	Surabaya, Indonesia	In use for operations
GCSILPG	Aqua mill (shrimp feeds)	Lampung, Indonesia	In use for operations
GCSIBKS	Aqua mill (shrimp feeds)	Bekasi, Indonesia	In use for operations
Ayam Unggul	Breeder farm (hatchery)	Bekasi, Indonesia	In use for operations
AFC	Livestock mill (swine feed and some poultry feed; has fish production lines)	Hai Duong, North Vietnam	In use for operations
GCFHN	Livestock mill (swine feed and some poultry feed; has fish production lines)	Ha Nam, North Vietnam	In use for operations
GCFD	Livestock mill (swine feed)	Dong Nai, South Vietnam	In use for operations
GCFL	Livestock mill (poultry feed)	Colombo, Sri Lanka	In use for operations
GCST	Aqua mill (shrimp feed)	Songkhla, Thailand	In use for operations

Item 3. Legal Proceedings

AEV and its Subsidiaries are currently involved in various legal proceedings in the ordinary conduct of their businesses. The Company believes that the results of these actions will not have a material effect on the Company's financial position and results of operations.

The material pending legal proceedings involving the Company and its Subsidiaries are as follows:

G.R. No. 210245 entitled "Bayan Muna Representative Neri Javier Colmenares, et al. vs. Energy Regulatory Commission, et al.", Supreme Court; December 19, 2013
G.R. No. 210255 entitled "National Association of Electricity Consumers for Reforms, et al. vs. Manila Electric Company, et al.", Supreme Court; December 20, 2013
G.R. No. 210502 entitled "Manila Electric Company, et al. v Philippine Electricity Market Corporation, et al.", Supreme Court; January 8, 2014

On December 19, 2013, Bayan Muna representatives filed a Petition for *Certiorari* against ERC and the MERALCO with the Supreme Court, questioning the alleged substantial increase in MERALCO's power rates for the billing period of November 2013.

These cases raised, among others: (a) the legality of Section 6, 29 and 45 of the EPIRA; (b) the failure of ERC to protect consumers from high prices of electricity; and (c) the alleged market collusion by the generation companies.

These cases were consolidated by the Supreme Court, which issued a TRO preventing MERALCO from collecting the increase in power rates for the billing period of November 2013. The TRO was subsequently extended by the Supreme Court for another 60 days, or until April 22, 2014. On April 22, 2014, the Supreme Court extended the TRO indefinitely.

MERALCO filed a counter-petition impleading all generation companies supplying power to the WESM to prevent the generation companies from collecting payments on power purchased by MERALCO from the WESM. The Supreme Court also ordered all power industry participants (the DOE, ERC, PEMC, PSALM and the generation companies) to respond to MERALCO's counter-petition.

The Supreme Court set the consolidated cases for oral arguments last January 21, 2014, February 4 and 11, 2014. After oral arguments, all parties were ordered to file their comments and/or memoranda. MERALCO has been prevented from collecting the differential increase of the price hike. Because of MERALCO's counter-petition against the generation companies, the PEMC withheld settlement of the power purchases during the covered period.

On February 7, 2019, petitioners in case no. G.R. No. 210245 filed their Motion for Directions, Status Updates and Immediate Resolution. As of February 28, 2019, these cases before the Supreme Court are still pending resolution and the Supreme Court has not lifted the TRO.

SC GR No. 224341 entitled Philippine Electricity Market Corporation vs Therma Mobile, Inc., Supreme Court [CA G.R. SP No. 140177 entitled "PEMC v. Therma Mobile Inc.", Court of Appeals, Manila] [SP Proc. No. 12790 entitled "Therma Mobile Inc. v. PEMC", Regional Trial Court Branch 157-Pasig City] [PEMC ECO-2014-0009 entitled "Therma Mobile, Inc. (TMO Power Plants Units 1-4) Possible Non-Compliance with Must-Offer-Rule, Investigation Summary Report, dated August 4, 2014"]

The Enforcement and Compliance Office of the Philippines Electricity Market Corporation ("PEMC-ECO") conducted an investigation on TMO for possible non-compliance with the Must-Offer-Rule for the period October 26, 2013 to December 25, 2013.

PEMC-ECO concluded that TMO was non-compliant with the Must-Offer-Rule for 3,578 intervals and recommended a penalty of ₱234.9 mn.

TMO filed its letter request for reconsideration on September 5, 2014, contending that it did not violate the Must-Offer-Rule because its maximum available capacity was limited to 100 MW due to: (a) the thermal limitations of the old TMO 115-kV transmission line, and (b) the technical and mechanical constraints of the old generating units and the component engines of the TMO power plants which were under various stages of rehabilitation.

In its letter dated January 30, 2015, the PEMC Board of Directors (PEMC Board) denied TMO's request for reconsideration and confirmed its earlier findings of 3,578 counts of breach of the Must-Offer-Rule and sustained the imposition of financial penalties amounting to ₱234.9 mn on TMO. According to the PEMC Board, the penalties will be collected from TMO through the WESM settlement process.

TMO maintains that there is no basis for the PEMC decision. TMO did not withhold any capacity for the period covered, as it was physically impossible for TMO to transmit more than 100 MW to MERALCO. Although TMO's rated capacity is 234 MW (net), it could only safely and reliably deliver 100 MW during the November and December 2013 supply period because of limitations of its engines and the 115-kV transmission line. This temporary limitation of TMO's plant was confirmed during a dependable capacity testing conducted on November 21, 2013. At this period, TMO's engines and transmission lines were still undergoing rehabilitation after having been non-operational for the five years.

On February 13, 2015, TMO filed a Notice of Dispute with the PEMC to refer the matter to dispute resolution under the WESM Rules, WESM Dispute Resolution Market Manual and the ERC-PEMC Protocol.

On February 16, 2015, TMO filed an Urgent Petition for the Issuance of Interim Measures of Protection for the Issuance of a Writ of Preliminary Injunction with prayer for Temporary Order of Protection before the Pasig City RTC. In its Order dated February 24, 2015, the RTC granted TMO a 20-day temporary order of protection and directed PEMC to (a) refrain from demanding or collecting the amount of ₱234.9 mn as financial penalty; (b) refrain from charging interest on the financial penalty and having the same accrue; and (c) refrain from transmitting PEMCECO's investigation report to the ERC. TMO posted a bond in the amount of ₱234.9 mn to answer for any damage that PEMC may suffer as a result of the Order. On April 1, 2015, the RTC rendered a Decision in favor of TMO. PEMC filed a Petition for Review with Prayer for Temporary Restraining Order and/or Writ of Preliminary Injunction before the Court of Appeals (CA) which sought to reverse and set aside the Decision of the RTC.

On December 14, 2015, the CA rendered a Decision denying PEMC's Petition for Review and affirming the April 1, 2015 Decision of RTC in favor of TMO.

On June 6, 2016, PEMC filed a Petition for Review on *Certiorari* with the Supreme Court to assail the December 14, 2015 CA Decision. On November 14, 2016, TMO filed its Comment to PEMC's Petition for Review. In its Motion for

Leave to File Reply to Comment dated December 9, 2016, PEMC prayed with the Supreme Court that it be granted leave to file its Reply. On June 1, 2017, TMO received the Supreme Court Notice dated March 29, 2017 with an attached Resolution. In the Resolution, the Supreme Court noted TMO's Comment and PEMC's Reply.

As of February 28, 2019, PEMC's Petition is still pending before the Supreme Court.

Consolidated Regulated Price Case against the Energy Regulatory Commission, Petition for Review *on Certiorari,* Court of Appeals, Manila;
ERC Case No. 2014-021 MC entitled "In the Matter of the Prices in the WESM for the Supply Months of November and December 2013 and the Exercise by the Commission of its Regulatory Powers to Intervene and Direct the Imposition of Regulated Prices therein without Prejudice to the On-going Investigation on the Allegation of Anti-Competitive Behavior and Possible Abuse of Market Power Committed by Some WESM Participants"
March 28, 2014

The ERC conducted an investigation on the alleged collusion by the generation companies to raise the WESM prices. Subsequently, the ERC issued an Order in ERC Case No. 2014-021 MC dated March 3, 2014 (the "ERC Order"), declaring as void the Luzon WESM prices during the November and December 2013 supply months. The ERC also declared the imposition of regulated prices for such billing periods and directed the PEMC to calculate the regulated prices and implement the same in the revised November and December 2013 WESM bills of the concerned distribution utilities in Luzon, except for MERALCO whose November 2013 WESM bill was maintained in compliance with the TRO issued by the Supreme Court.

The ERC also ordered the PEMC, through its Enforcement and Compliance Office (ECO) to conduct an investigation, within a period of no less than 90 days, on the alleged violation of the Must-Offer-Rule.

Pursuant to the ERC Order, on March 18, 2014, the PEMC issued adjusted billing statements for all generators trading in the WESM, including Cebu-based EAUC and CPPC, recalculating the WESM prices.

AboitizPower's Affiliates and Subsidiaries, APRI, TLI, TMO, AESI, AdventEnergy, SN Aboitiz Power-Magat, SN Aboitiz Power-Benguet, CPPC and EAUC filed their respective Motions for Reconsideration, questioning the validity of the ERC Order on the ground of lack of due process, among others. In its March 27, 2014 Order, the ERC ordered deferral of PEMC's implementation of the adjusted billing statements for 45 days. This was subsequently extended with no clear timeline by the ERC in its order dated June 6, 2014.

The ERC, in its Order dated October 15, 2014, denied said Motions for Reconsideration. SN Aboitiz Power-Benguet, SN Aboitiz Power-Magat, APRI, TLI, and TMO filed their Petitions for Review (the "Petitions") before the Court of Appeals on November 19, 24, December 1, and 4, 2014, respectively. The Court of Appeals ordered the consolidation of the Petitions on October 9, 2015.

On November 7, 2017, the Court of Appeals granted the Petitions. The ERC's March 3, 2014 Order, among other orders, were declared null and void, and the Luzon WESM market prices in November and December 2013 were declared valid and therefore reinstated.

Thereafter, ERC and Meralco filed their respective motions for reconsideration. Several entities also filed motions to intervene in the case. APRI, TLI and TMO filed their oppositions to the motions for reconsideration and motions to intervene. The Court of Appeals denied the motions to intervene filed by several entities, which thereafter filed their motions for reconsideration.

As of February 28, 2019, the motions for reconsideration relating to the Court of Appeals November 7, 2017 Decision and relating to the Court of Appeals' denial of the motions to intervene are still pending resolution with the Court of Appeals.

Item 4. Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this report.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

(1) Market Information

AEV's common shares are traded in the Philippine Stock Exchange, Inc.

The high and low stock prices of AEV's common shares for each quarter for the past two years were as follows:

	2019		2018		2017	
	High	Low	High	Low	High	Low
First Quarter	N/A	N/A	79.00	67.50	75.30	70.55
Second Quarter	N/A	N/A	69.85	53.95	77.65	72.75
Third Quarter	N/A	N/A	61.55	44.10	75.95	72.50
Fourth Quarter	N/A	N/A	56.90	44.85	75.75	67.50

The closing price of AEV common shares, as of February 28, 2019 is ₱61.00 per share.

(2) Holders

As of February 28, 2019, AEV has 8,901 stockholders of record, including PCD Nominee Corporation (Filipino) and PCD Nominee Corporation (Foreign). Common shares outstanding as of same date were 5,632,792,557 shares.

The top 20 stockholders of AEV as of February 28, 2019 are as follows:

	STOCKHOLDER	NATIONALITY	COMMON SHARES	% OF TOTAL COMMON SHARES ISSUED
1	Aboitiz & Company, Inc.	Filipino	2,735,600,915	48.57%
2	PCD Nominee Corporation (Filipino)	Filipino	801,851,868	14.24%
3	PCD Nominee Corporation (Non-Filipino)	Non-Filipino	514,689,488	9.14%
4	Ramon Aboitiz Foundation, Inc.	Filipino	424,538,863	7.54%
5	Sanfil Management Corporation	Filipino	120,790,211	2.14%
6	Chanton Management & Development Corporation	Filipino	62,118,484	1.10%
7	Windemere Management & Development Corporation	Filipino	49,666,352	0.88%
8	Donya 1 Management & Development Corporation	Filipino	41,054,511	0.73%
9	Morefund Management & Development Corporation	Filipino	37,918,115	0.67%
10	Bauhinia Management Inc.	Filipino	34,683,799	0.62%
11	Anso Management Corporation	Filipino	30,369,707	0.54%
12	MYA Management & Development Corporation	Filipino	22,494,414	0.40%
13	Luis Miguel O. Aboitiz	Filipino	20,092,133	0.36%
14	Guada Valley Holdings Corporation	Filipino	17,688,445	0.31%

	STOCKHOLDER	NATIONALITY	COMMON SHARES	% OF TOTAL COMMON SHARES ISSUED
15	Parraz Development Corporation	Filipino	14,483,067	0.26%
16	Annabelle O. Aboitiz	Filipino	13,975,834	0.25%
17	Ma. Cristina Aboitiz; Jaime Jose Aboitiz; Luis Alfonso Aboitiz	Filipino	13,605,767	0.24%
18	Mary Anne Aboitiz Arculli	Filipino	10,767,556	0.19%
19	Arrayanes Corporation	Filipino	10,650,070	0.19%
20	UnionBank TISG For IMA#PH3Q201 692	Filipino	8,709,900	0.15%
	SUB-TOTAL		**4,985,749,499**	**88.51%**
	Other Stockholders		**647,043,058**	**11.49%**
	TOTAL SHARES		**5,632,792,557**	**100.00%**
	NET ISSUED AND OUTSTANDING SHARES		**5,632,792,557**	**100.00%**

(3) Dividends

The cash dividends declared by AEV to common stockholders from fiscal year 2015 to the first quarter of 2019 are shown in the table below:

Year	Cash Dividend Per Share	Declaration Date	Total Declared	Record Date	Payment Date
2019 (regular)	₱1.32	03/07/2019	₱7.44 bn	03/21/2019	04/05/2019
2018 (regular)	₱1.28	03/08/2018	₱7.21 bn	03/22/2018	04/12/2018
2017 (regular)	₱1.33	03/07/2017	₱7.49 bn	03/21/2017	04/10/2017
2016 (regular)	₱1.06	03/08/2016	₱5.89 bn	03/22/2016	04/19/2016
2015 (regular)	₱1.11	03/10/2015	₱6.15 bn	03/24/2015	04/20/2015

In a special meeting held on January 11, 2007, the AEV Board of Directors approved the policy of distributing at least 1/3 of its previous year's earnings as cash dividends to its stockholders for subsequent years. There are no restrictions that limit the payment of dividends on common shares to stockholders of record as of March 21, 2019.

(4) Recent Sales of Unregistered or Exempt Securities, Including Recent Issuance of Securities Constituting an Exempt Transaction

AEV does not have any recent sales of unregistered or exempt securities including recent issuances of securities constituting an exempt transaction.

Item 6. Management's Discussion and Analysis or Plan of Action

MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF ACTION OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

TOP FIVE KEY PERFORMANCE INDICATORS

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

1. EQUITY IN NET EARNINGS OF INVESTEES

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

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

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

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

3. CASH FLOW GENERATED

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

4. CURRENT RATIO

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

5. DEBT-TO-EQUITY RATIO

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

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

	JAN-DEC 2018	JAN-DEC 2017
EQUITY IN NET EARNINGS OF INVESTEES	**7,727,663**	**9,053,733**
EBITDA	**60,653,429**	**56,977,228**
CASH FLOW GENERATED:		
Net cash flows from operating activities	**30,417,349**	**32,237,312**
Net cash flows used in investing activities	**(30,762,255)**	**(11,304,774)**
Net cash flows used in financing activities	**(13,223,356)**	**(19,458,941)**
Net Increase (Decrease) in Cash & Cash Equivalents	**(5,568,262)**	**1,473,597**
Cash & Cash Equivalents, Beginning	**64,870,214**	**63,857,528**
Cash & Cash Equivalents, End	**59,033,029**	**64,870,214**
	DEC 31, 2018	**DEC 31, 2017**
CURRENT RATIO	**1.76**	**1.61**
DEBT-TO-EQUITY RATIO	**1.55**	**1.56**

In 2018, the Company's KPI evidenced its strong operating performance and financial stability. Profitability was sustained and financial position remained strong and liquid.

With the fresh contributions during 2018 from the newly operating plants of Pagbilao Energy Corporation (PEC) and Hedcor Bukidnon, Inc. (Hedcor Bukidnon), as well as from the newly acquired feeds business of Gold Coin Management Holdings Limited (GCMH), consolidated EBITDA increased by 6.5% during the year. Meanwhile, Associates and Joint Ventures (JV) continued to generate substantial earnings and enhance the consolidated bottomline despite the 15% decline in their income contribution to the Group.

Consolidated EBITDA translated into substantial cash inflows coming from Subsidiaries' operations and from dividend payments of Associates and JVs. Internally-generated funds were then used to partially finance capital expenditures, settle maturing financial obligations, and pay cash dividends.

With equity growing more than debt during 2018, debt-to-equity ratio declined slightly to 1.55x (versus end-2017's 1.56x). Simultaneously, current ratio improved to 1.76x (versus end-2017's 1.61x) as the growth in current assets outpaced the growth of current liabilities.

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

RESULTS OF OPERATIONS

For the year ended December 31, 2018, AEV and its Subsidiaries posted a consolidated net income of ₱22.23 bn, a 3% year-on-year (YoY) increase. This translated to earnings per share of ₱3.95 for the year in review. In terms of income contribution, the Power Group accounted for 73%, followed by the Banking and Financial Services, Food, Real Estate, and Infrastructure Groups at 16%, 7%, 3%, and 1%, respectively.

In 2018, the Group generated non-recurring losses of ₱891 mn (versus ₱2.30 bn of non-recurring losses in 2017), consisting of net unrealized forex losses and asset impairment costs. Stripping out these one-off items, the Group's core net income for the year amounted to ₱23.12 bn, 3% lower YoY. AEV recorded a 6.5% increase in consolidated EBITDA, from ₱56.98 bn in 2017 to ₱60.66 bn in 2018.

BUSINESS SEGMENTS

The individual performance of the major business segments for 2018:

Power

Aboitiz Power Corporation (AP) ended 2018 with an income contribution of ₱16.69 bn, a 6% increase from the previous year's ₱15.70 bn. Netting out unrealized forex losses and impairment costs recognized during the year, AP's contribution to the Group's core net income increased by 2% YoY, from ₱17.95 bn in 2017 to ₱18.31 bn in 2018.

With the fresh income contributions during 2018 from PEC and Hedcor Bukidnon, the Power Generation and Retail Supply Groups' bottomline contribution to AEV increased by 12% from ₱13.71 bn in 2017 to ₱15.35 bn in 2018. Adjusted for non-recurring items, Generation and Retail Supply Groups' core net income contribution remained flat during 2018 at ₱16.1 bn.

Capacity sold for the year was flat YoY, from 3,167 megawatts (MW) in 2017 to 3,152 MW in 2018.

Power Distribution Group's earnings contribution to AEV decreased by 5% YoY from ₱3.29 bn in 2017 to ₱3.12 bn in 2018. Stripping out impairment costs, its recurring earnings contribution grew 6% YoY from ₱3.18 bn in 2017 to ₱3.36 bn in 2018. This increase was mainly attributable to electricity sales, which increased by 5% YoY to 5,540 gigawatthours (GWh). This was a result of increased consumption across all customer segments.

Banking & Financial Services

Income contribution from this industry group decreased by 13% YoY, from ₱4.12 bn in 2017 to ₱3.58 bn in 2018.

On a stand-alone basis, Union Bank of the Philippines (UBP) and its Subsidiaries recorded a net income of ₱7.32 bn for 2018, down 13% compared to the ₱8.40 bn earned in 2017. The decrease was primarily due to lower income contribution from CitySavings Bank, which recorded lower loan releases to teachers.

Food

Income contribution from the Food Group (Philippine-based Pilmico Foods Corporation and its Subsidiaries, and foreign-based Pilmico International Pte. Ltd. and its Subsidiaries which include the Gold Coin Group) decreased by 8% to ₱1.56 bn in 2018, compared to ₱1.70 bn in 2017. On a recurring basis, during 2018 Feeds Philippines and Farms showed a decrease in income contributions while Pilmico International reported an increase. Feeds Philippines' 38% YoY decline in net income was due to increased raw materials costs, which negatively affected profit margins. Farms' net income decreased 15% YoY due to lower biological asset revaluation gains. These decreases were partly offset by the growth in Pilmico International's net earnings, primarily due to the fresh income contribution of GCMH - an expansion in one of Pilmico's core feed milling businesses - which mitigated the effects of higher input costs to Pilmico International's animal and aqua feeds businesses.

Real Estate

Income contribution of Aboitiz Land, Inc. (AboitizLand) for 2018 amounted to ₱645 mn, down 13% from ₱744 mn in 2017. This decrease was due to the absence during 2018 of fair valuation gains on investment properties.

Infrastructure

Republic Cement and Building Materials, Inc.'s (Republic) income contribution to AEV decreased by 68%, from ₱671 mn in 2017 to ₱213 mn in 2018. This was mainly due to significantly higher fuel and power costs, which offset the improvement in sales volume and prices attributable 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 year ended December 31, 2018, consolidated net income allocable to the equity holders of AEV registered a 3% YoY increase to ₱22.23 bn, compared to ₱21.61 bn in 2017.

Operating profit for 2018 amounted to ₱39.16 bn, a 7% increase YoY, as the ₱36.52 bn increase in revenues during the period surpassed the ₱33.94 bn rise in costs and expenses. This increase was mainly attributed to the performance of the Power Group.

Power Subsidiaries reported a 7% YoY increase in operating profit, from ₱34.17 bn to ₱36.50 bn, mainly due to the fresh earnings before interest and taxes (EBIT) contribution from PEC and Hedcor Bukidnon.

Share in net earnings of Associates and JVs declined by 15% YoY (₱7.73 bn in 2018 compared to ₱9.05 bn in 2017) due to the decrease in income contributions from the following: (i) SN Aboitiz Power-Magat (SNAP-Magat) and SN Aboitiz Power-Benguet (SNAP-Benguet), resulting from lower hydrology in 2018 as compared to the higher-than-usual hydrology levels in 2017; (ii) UBP, largely attributable to the lower 2018 net earnings of one of its subsidiaries, CitySaving Bank; and (iii) Republic, owing to significantly higher fuel and power costs in 2018.

The growth in operating profit and other income offset the decrease in equity earnings and higher interest expense, and as a result, which resulted in an increase to the Group's overall profitability. Net interest expense increased by ₱1.42 bn, or 12% YoY, due to the higher average debt level in 2018.

Other income increased during 2018 to ₱1.41 bn, from ₱26 mn other expense in 2017. This improvement was mainly due to the Power Group's collection of settlements with suppliers in 2018 (vs nil in 2017) and higher impairment costs in 2017, which were partly offset by higher foreign exchange losses in 2018.

Net income attributable to non-controlling interests (NCI) increased to ₱9.01 bn in 2018 from ₱7.67 bn in 2017, substantially due to the increase in consolidated net income of AP and the recognition of the NIAT share of GCMH's minority shareholders.

AEV's consolidated comprehensive income attributable to equity holders increased by 3% YoY, from ₱22.56 bn in 2017 to ₱23.24 bn in 2018. The 3% increase in consolidated net income accounted for majority of this increase.

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

Assets

Compared to year-end 2017 level, consolidated assets increased 13% to ₱554.59 bn as of December 31, 2018, due to the following:

a. Trade and other receivables, inclusive of noncurrent portion, increased by 50% (₱37.24 bn in 2018 vs ₱24.77 bn as of December 31, 2017) mainly due to the first-time consolidation of GCMH's ₱3.93 bn accounts receivable, and the higher level of the Power Group's receivables resulting from the take-up of PSALM deferred adjustments in the books of Davao Light & Power Co., Inc. (DLP) and Visayan Electric Co., Inc. (VECO). The recorded receivables represent PSALM deferred adjustments (Generation Rate Adjustment Mechanism and Incremental Currency Exchange Rate Adjustment) that are to be recovered from customers or to be collected from PSALM.

b. Inventories and Land and Improvements increased by 51% (₱24.44 bn in 2018 vs ₱16.14 bn as of December 31, 2017). The P9.32 bn rise in Inventories was mainly due to the following: (i) first-time consolidation of GCMH's ₱5.74 bn inventory; (ii) higher raw materials and real property inventories of the Food Group and Real Estate Group, respectively; and (iii) higher coal inventory of the Power Group. This increase was partly offset by the ₱1.35 bn decline in Land and Improvement resulting from the reclassification of lots to be developed from Land and Improvements to Real Estate Inventory.

c. Gross of depreciation expense, the ₱19.66 bn combined growth in Property Plant and Equipment (PPE), Property Held for Sale and Investment Properties (IP) in 2018 was mainly due to the following: (i) ₱4.86 bn on-going construction of AP's power plants; (ii) ₱8.94 bn various capex of Power, Food and Real Estate groups; (iii) ₱4.78 bn first-time consolidation of GCMH PPE; and (iv) ₱1.0 bn upward translation adjustment by power subsidiaries using US Dollar as functional currency and fair valuation gains on investment properties. Property Held for Sale (₱676 mn in 2018 vs nil in 2017) refers to transmission assets that will be transferred and sold to the NGCP in the next 12 months, and have been reclassified from PPE.

d. Investments in and Advances to Associates and JVs increased by 17% (₱106.96 bn in 2018 vs ₱91.61 bn as of December 31, 2017) mainly due to: (i) the ₱5.38 bn additional acquisition of UBP shares; (ii) AP's ₱2.50 bn capital infusion into GN Power Dinginin Ltd. Co. (GNPD); (iii) ₱3.33 bn reversal of share of mark-to-market (MTM) losses on AFS investments of an associate; (iv) ₱924 mn share of retained earnings adjustment of an associate resulting from the adoption of PFRS 9; (v) ₱464 mn share of associates' cumulative translation adjustments; and (vi) recording of ₱7.73 bn share in net earnings of associates and JVs. This increase was partially offset by the ₱5.14 bn cash dividends received from associates and JVs during the period.

e. Intangible Asset - service concession right increased by 24% (₱3.79 bn in 2018 vs ₱3.06 bn as of December 31, 2017) mainly due to capitalized repairs done during the year.

f. Other Current Assets (OCA) rose by 44% (₱17.99 bn in 2081 vs ₱12.44 bn as of December 31, 2017) mainly due to: (i) Therma South, Inc.'s ₱2.65 bn increase in restricted cash representing the cash reserve to be maintained in compliance with the covenants of its project debt; and (ii) Therma Visayas, Inc.'s ₱1.72 bn advances receivable from NGCP related to the construction of a transmission line.

g. Debt Investments at Amortized Cost, formerly classified as Held-to-Maturity Investments, increased to ₱454 mn in 2018 from ₱189 mn as of December 31, 2017. This was mainly due to additional acquisitions made of this type of financial product during the year.

h. Deferred Income Tax Assets increased by 52% (₱2.32 bn in 2018 vs ₱1.53 bn as of December 31, 2017), mainly due to the corresponding deferred tax benefits recognized on the unrealized forex losses and asset impairment provision recorded by the Power Group during the year.

i. Goodwill increased by 36% (₱56.26 bn in 2018 vs ₱41.31 bn as of December 31, 2017) due to the new ₱15.52 bn goodwill generated following the acquisition of GCMH during the year, which was partly offset by the de-consolidation of the ₱524 mn goodwill resulting from the disposal of PETNET.

The above increases were tempered by the following decreases:

a. Cash & Cash Equivalents decreased by 9% (₱59.03 bn as of end- 2018 vs ₱64.87 bn as of end-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. Derivative Assets, net of Derivative Liabilities (current and non-current) decreased by 55% (₱131 mn in 2018 vs ₱294 mn as of December 31, 2017) mainly due to MTM losses recognized on existing swap and forward contracts of the Power Group.

c. Investments in Financial Assets at Fair Value to Profit or Loss (FVTPL) and at FV to Other Comprehensive Income (FVOCI), formerly classified as Available-for-sale (AFS) Investments, decreased by 25% (₱579 mn as of end-2018 vs ₱773 mn as of December 31, 2017) mainly due to disposals made during 2018.

Liabilities

Consolidated short-term bank loans increased by 14% (₱26.98 bn as of end- 2018 vs ₱23.70 bn as of December 31, 2017) mainly due to the first-time consolidation of GCMH's ₱2.35 bn in bank loans and the ₱7.31 bn in loanavailments of the Power and Real Estate Groups, which were partly offset by ₱6.26 bn loan repayment made by Food Group.

Long-term debt likewise increased by 8% (₱258.54 bn as of end- 2018 vs ₱238.54 bn as of December 31, 2017) substantially due to the following: (i) AEV International's availment of a ₱11.79 bn loan; (ii) AP's retail bond issuance of ₱10.2 bn; (iii) GMCP's availment of a ₱9.04 bn loan; (iv) a total of ₱6.20 bn in loan availments by other Power Group companies; (v) first-time consolidation of GCMH's ₱2.37 bn loan; and (vi) a ₱4.54 bn non-cash upward movement due to amortization of deferred financing costs and forex differential. These increases were partly offset by the prepayment by Therma Power, Inc. (TPI) of its ₱15.10 bn loan, the ₱6.70 bn settlement of maturing loans, and a ₱2.33 bn decrease in finance lease obligation due to amortizations paid.

Trade and other payables, inclusive of non-current portion, increased by 51% during the year, from ₱25.42 bn as of end-2017 to ₱38.42 bn as of end-2018, mainly due to the first-time consolidation of GCMH's ₱9.13 bn trade payables and the take-up of the PSALM deferred adjustments at DLP and VECO. The recorded payables represent PSALM deferred adjustments (Generation Rate Adjustment Mechanism and Incremental Currency Exchange Rate Adjustment) that are to be remitted to PSALM or refunded to customers.

Income tax payable decreased by 24%, from ₱703 mn in 2017 to ₱535 mn in 2018, mainly due to lower income tax liability of the Power Group for the year.

Asset retirement obligation (ARO) increased by 24% from P2.96 bn in 2017 to P3.68 bn in 2018 due to the upward revaluation adjustment recognized during the year on this future obligation.

Pension liability, net of pension asset, increased by 47%, from ₱223 mn in 2017 to ₱328 mn in 2018, mainly due to the decline in the fair value of the investment in traded equity securities owned by the retirement fund of the Company. This was attributable to the decline in market prices of these securities at the end of 2018.

Deferred Income Tax Liabilities (DTL) increased by 48% (₱2.39 bn as of end- 2018 vs ₱1.62 bn as of December 31, 2017) mainly due to the first-time consolidation of GMCH's ₱600 mn DTL.

Equity

Equity attributable to equity holders of the parent increased by 13% from the year-end 2017 level of ₱154.70 bn to ₱174.71 bn as of end-2018 mainly due to: (i) the ₱22.23 bn net income recorded during the year; (ii) the ₱3.33 bn reversal of share of MTM losses on AFS investments of UBP; (iii) the ₱903 mn increase in cumulative translation adjustment; and (iv) the ₱497 mn retained earnings adjustment related to first-time adoption of PFRS 9 and 15. These increases were partly offset by the ₱7.21 bn in cash dividends paid during 2018.

MATERIAL CHANGES IN LIQUIDITY AND CASH RESERVES OF REGISTRANT

For the year ended December 31, 2018, the Group continued to support its liquidity mainly from cash generated from operations, additional loans availed and dividends received from associates.

Compared to the cash inflow in 2017, consolidated cash generated from operating activities in 2018 increased by ₱6.18 bn to ₱38.42 bn in 2018, mainly due to the growth in earnings before interest, depreciation and amortization (EBIDA), and was partly offset by higher working capital requirements.

As of end-2018, ₱30.76 bn was recorded as net cash used in investing activities versus ₱11.30 bn from 2017. 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 ₱13.22 bn in 2018 versus ₱19.46 bn in 2017. The decrease was largely attributed to the higher net bank borrowings in 2018 (₱18.82 bn vs ₱7.85 bn in 2017), which was partly offset by higher interest payments and dividends paid to minority shareholders during the year.

For the year in review, net cash outflows surpassed cash inflows, resulting in a 9% decrease in cash and cash equivalents from ₱64.87 bn as of year-end 2017 to ₱59.03 bn as of December 31, 2018.

FINANCIAL RATIOS

Financial ratios remained healthy. Current ratio improved from year-end 2017's 1.61x to 1.76x at the end of 2018 as the growth in current assets outpaced the increase in current liabilities. Debt-to-equity ratio likewise improved from year-end 2017's 1.56:1.to 1.55:1 at the end of 2018.

Outlook for the Upcoming Year/ Known Trends, Events, Uncertainties which may have Material Impact on Registrant

Based on information provided by UnionBank's Economic Research Unit, in 2019 AEV expects the Philippines to record a GDP growth rate of 6.8% due to election spending, and public and private construction, supported by strong and continuing public expenditure on various infrastructure development projects. AEV believes that it, together with its Strategic Business Units (SBUs), is in a position to take advantage of opportunities emerging from a growing Philippine economy and will continue to sustain the growth of its SBUs over the long-term.

Power SBU

AboitizPower is focused on addressing the needs of its markets, namely: (1) reliable supply, at a (2) reasonable cost, and with (3) minimal impact on the environment and communities. The Company believes that no single technology that can completely address the country's energy requirements and that a mix of power generation technologies is necessary to address the country's needs. Thus, AboitizPower continues to pursue both renewable projects and thermal technologies, where and when it makes sense.

Despite increased competition in the power generation market, the Company is confident that it has built the foundation to sustain long term growth, as seen in its pipeline of new projects (see Section [x] on Generation of Electricity on page x where target commercial operation dates for each project are discussed per business unit). The Company is also currently on track with its target to reach 4,000 MW net attributable capacity by 2020.

AboitizPower believes that 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.

The Company 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.

AboitizPower has alloted over P50 bn for capital expenditures in 2019, about 80% of which is for thermal projects, and the remaining balance allocated mainly for exploratory and operating activities.

Other known trends, events, uncertainties which may have material impact on the Registrant have been discussed in previous sections of the report (e.g., for an extensive discussion on regulatory issues, see Section (xi) on Effects of Existing or Probable Government Regulations on the Business on page 125).

Banking & Financial Services SBU

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

With its goal of becoming one of the top three universal banks in the Philippines, UnionBank continues to implement its 10-year business transformation roadmap called FOCUS 2020. In order to achieve its goal, the Bank measures progress in terms of metrics relating to financial value to stakeholders, operational excellence, customer franchise/share of wallet, unique customer experience, and delivering superior and innovative products and services, rather than traditional metrics such as asset size or branch network.

Now that the Bank is at the tail-end of its FOCUS 2020 strategic plan, the shift towards a recurring income business model has become more evident. The Bank shows progress towards its objective of becoming one of the country's leading retail bank, which the Bank believes requires it to increase its core earning asset base, attain a balanced source of revenue, and shift towards a recurring income business model as it fortifies its balance sheet. Most of the Bank's revenues are already recurring in nature since 2013 at 71% in 2013 to a high of 99% in 2017 and 94% in 2018. Likewise, the retail segment accounts for a significant portion of the Bank's revenues, averaging 50% of total revenues in the past five years.

UnionBank will continue to leverage its core strengths to drive its performance. In order to provide stable returns and predictability in the growth of shareholder value, the Bank utilizes its capital as it shifts from trading to building recurring income. To cater to changing customer expectations, it focuses on transforming its branches and building the competence of its sales force, rather than on expanding its brick-and-mortar network. It strengthens corporate relationships by providing innovative cash management solutions to anchor clients. The Bank focuses on process improvement, specifically in building the foundation of the Bank's automation and digital transformation initiatives. It builds synergies with its partners in order to expand customer reach, products, and services. It leverages on having a unique UnionBank DNA, focused on building the right culture and organizational capabilities. Lastly, the Bank leverages on its subsidiaries, such as City Savings Bank (CitySavings), as an avenue to expand reach towards the underserved segment for inclusive prosperity.

UnionBank is also embarking on its Dual Transformation Strategy in order to improve its current and future competitive advantages. This strategy is composed of the following:

(i) Transformation A, through which the Bank will be repositioned as a Digital Bank. This requires the application of the latest technologies to UnionBank's core banking systems to in response to changing customer demands. The Bank also intends to use advanced technologies to move into adjacent markets and become a leading Mass Market Bank. 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

(ii) 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 on, enable, and invest in fintechs in order to e embed financial technology into its customer services platforms. The Bank's goal is to make its services indispensable in a rapidly evolving financial services environment, where banking is not simply transactional but also part of an embedded customer experience.

UnionBank has alloted ₱2 bn for capital expenditures in 2019.

Food SBU

Pilmico, AEV's non-listed multinational food subsidiary, is an integrated food and agribusiness company based in the Philippines. Its businesses include flour milling, feed milling (with operations in the Philippines and Vietnam), livestock farming, and commodities trading. Pilmico remains one of the Philippines' top flour, feeds, and farm players, with a strong track record and nationwide reach. Pilmico is also one of the largest aqua feed millers in the Mekong Delta in South Vietnam, and exports flour throughout the ASEAN region.

In July 2018, Pilmico International acquired a 75% equity stake in GCMH, the parent company of the Gold Coin Group, one of Asia's largest privately-owned agribusiness corporations. The Gold Coin Group is a major producer of animal feeds, operating 20 livestock and aqua feed mills across seven Asian countries, including South China. It also enjoys lead market positions in key Asian markets, and is well-recognized and respected in the regions where it operates. The Gold Coin Group focuses on feed quality and consistency, thus enabling it to maintain long-term loyalty of its clients.

Together with the Gold Coin Group, Pilmico International is set to become a comprehensive Animal Nutrition platform across the ASEAN region, backed by strong competitive advantage in delivering scientifically balanced livestock, aqua feeds, and specialty animal nutrition.

The acquisition of GCMH has effectively expanded Pilmico and the Aboitiz Group's footprint in the ASEAN region and across the Asia-Pacific market. Growth in the coming years is expected to be driven by a combination of project developments (capacity expansions) and strategic acquisitions.

The Flour business will employ a two-pronged market strategy of: (i) maximizing growth potential in the Visayas region and Mindanao island, while (ii) building and developing new channels in Luzon through continuous sales efforts. The business likewise intends to moves forward in the value chain as it continues selling value-added flour products (noodles) and potentially expanding into a more diversified product portfolio.

The Farms business is progressing towards a sow-level of 36,000 heads by 2025, supported by a focus on farm expansion and supplemented by contract farming. The expected increase in volume opens up opportunities for the business to increase its market share. This will entail unlocking more distribution channels and achieving forward integration in the value chain (meat fabrication and processing). Meanwhile, the layers business intends to expand to eventually house 1.3 mn ready-to-lay hens. This expected surge in layers capacity (8x from 2018 levels) will result in a monthly production of 27 mn eggs by 2025.

Feeds Philippines continues to strengthen its market position with additional capacity expansions programmed up to 2025. New expansions of feedmill plants is expected to double volume in the next six years. Strategic geographical and product positioning will be key to acquiring and retaining customers in a more competitive market. Furthermore, investments in warehouse and logistics are intended to provide operational agility and improve customer experience.

Likewise, Aqua Feeds Vietnam is expected to gradually step forward to serve emerging opportunities for fingerling feeds in the region. This planned product diversification will be supported by an additional fingerling line in the existing facility. The aqua business proves to be a lucrative industry in Vietnam. Forward integration (fish processing) is likewise planned to take advantage of the increasing farm-gate prices of fish, such as Pangasius, in the market.

On the other hand, the Gold Coin Group has set forth a robust project pipeline with its growth-focus countries: China and Vietnam.

For China, plans involve expansion of Dongguan Mills with a new Fish and Hog line facility. The current growth and demand in Southern China has already filled up the existing Dongguan capacities. The same is true with Zhangzhou, the easternmost mill in China, which will require a new pelleting line to meet the strong demand. The automation of the finished goods packing lines, which is expected to break ground in the first half of 2019, is expected to improve efficiencies and lower labor costs in China operations.

For Vietnam, both expansion and business integration activities are planned for 2019. The development of Ha Nam Fish Feed line in North Vietnam is expected to be operational by the end of 2019. Moreover, from successfully integrating Pilmico's Animal Feeds Vietnam into GoldCoin Vietnam in early 2019, the integration of Pilmico's Aqua Feeds operation is being considered in order to fully integrate Vietnam operations.

2019 will be a fresh start to a new multinational Food Group. Together with the Gold Coin Group, Pilmico is surrounded with many opportunities to advance business and communities locally and abroad. The business will leverage on people development and digital transformation in order to achieve its goals to deliver solutions to customers and differentiate against competitors. Through an agile workforce enabled by technology and operational excellence, the Food Group is confident that it is well-positioned to capitalize on market volatility and deliver its brand promise of being a customer's partner for growth.

Pilmico has allotted ₱6 bn for capital expenditures in 2019.

Infrastructure SBU

I. Aboitiz InfraCapital (AIC)

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

Airports and Other Infrastructure

AIC is a member of the NAIA Consortium, which was granted Original Proponent Status by the Department of Transportation (DOTr) for its unsolicited proposal on September 10, 2018. The consortium looks forward to being able to provide the much-needed upgrades to the Ninoy Aquino International Airport (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, in accordance with RA 6957 also known as the BOT law.

Similar to NAIA, AIC was also granted Original Proponent Status by the DOTr for its unsolicited proposal to operate and maintain the new Bohol-Panglao International Airport (BPIA) on September 3, 2018. 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. As per the DOTr, the airport is expected to commence operations this year with a capacity of approximately 2 mn passengers.

On August 10, 2018, AIC also submitted an unsolicited proposal for the operations, maintenance, and expansion of the Laguindingan Airport in Misamis Oriental, which is the gateway to the Northern Mindanao Development Corridor (NMDC).

On February 26, 2019, AIC was granted Original Proponent Status by the Civil Aviation Authority of the Philippines for its unsolicited proposal on Laguindingan Airport. The ₱42.7 bn project involves capacity augmentation through expansion or construction of new passenger terminals, installation of required equipment, and enhancement and development of airside facilities.

These airport projects are aligned with AIC's objective to support regional development centers outside of Manila.

On August 13, 2018, a consortium comprised of AIC, Unisys Philippines, and AC Infrastructure Holdings Corporation submitted an unsolicited proposal under the BOT Law to the Philippine Statistics Authority for the design and development of a National Identity Infrastructure solution, which is intended to collect, store, maintain, manage, and authenticate identity information of individuals. The consortium proposed that it be granted a 17-year concession to develop and implement an expedient and comprehensive solution that will provide a safe and secure identification and benefits payment mechanism for individuals transacting with government.

On February 7, 2019, AIC signed a Memorandum of Understanding (MOU) with the Department of Information and Communications Technology (DICT). The MOU recognized AIC as a potential common tower provider with the necessary financial and operational capability to build and efficiently power its cell sites, and will also allow AIC to secure contracts with telco operators.

Water

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 mn 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 Davao City Bulk Water Supply Project (DCBWSP).

On November 27, 2018, Apo Agua held a ceremonial construction kick-off at the main project site in Davao City, after securing all the requisite permits for construction. President Rodrigo R. Duterte, together with the project's key stakeholders, witnessed the event. The event marked the commencement of the project's three-year construction phase which will begin with engineering design works in early 2019.

On November 29, 2018, Apo Agua signed a ₱9 bn Omnibus Notes Facility and Security Agreement with a consortium of lender-banks, arranged by BPI Capital Corporation, to finance the construction phase of the DCBWSP.

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

Lima Water Corporation (LWC)

LWC is the exclusive water and wastewater services provider in Lima Technology Park, one of the Philippines' largest industrial parks. Water sales in 2018 registered at 7.5 mn liters per day (MLD) due to strong demand growth from both existing and new locators. LWC is currently building up its capability to fully support the expansion plans of Lima Technology Park, which is expected to experience healthy growth in the next several years

Together with its shareholdings in Balibago Water System, Inc., AIC intends to use its current water portfolio 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.

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.

Republic will invest approximately US$300 mn 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 2 mn tons per year, and assure 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 cement in the commercial and residential spaces.

The infrastructure group has allotted ₱16 bn for capital expenditures in 2019.

Land SBU

AboitizLand is firmly committed to building and nurturing thriving communities. Keen to execute its growth strategy, AboitizLand looks to further capitalize on the momentum ofits industrial business through the development of recurring businesses and residential communities that complement its industrial developments. Through this approach, the company expects to expand its industrial footprint and create thriving townships.

In 2019, AboitizLand expects to launch two residential projects in Luzon. This comes on the heels of the successful launches in 2018 of AboitizLand's two new mid-market residential products in Central Luzon, Ajoya Capas & Ajoya Cabanatuan. AboitizLand believes that through these projects, it will achieve sustained growth and expand its market share in key cities through repeatable and well-crafted products.

Furthermore, The Outlets at Lipa demonstrates strong potential for success after it commenced operations in the fourth quarter of 2018. Through this project, AboitizLand aims to continuously maximize the value footprint in its adjacent industrial park while concurrently servicing the needs of the community in Lipa.

AboitizLand has allotted ₱6 bn for capital expenditures in 2019.

REVIEW OF JAN-DEC 2017 OPERATIONS VERSUS JAN-DEC 2016

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

	JAN-DEC 2017	JAN-DEC 2016
EQUITY IN NET EARNINGS OF INVESTEES	**9,053,733**	9,651,787
EBITDA	**56,977,228**	48,127,754
CASH FLOW GENERATED:		
Net cash flows from operating activities	**32,237,312**	32,013,422
Net cash flows used in investing activities	**(11,304,774)**	(84,668,374)
Net cash flows from (used in) financing activities	**(19,458,941)**	52,848,445
Net Increase in Cash & Cash Equivalents	**1,473,597**	193,493
Cash & Cash Equivalents, Beginning	**63,857,528**	63,581,884
Cash & Cash Equivalents, End	**64,870,214**	63,857,528
	DEC 31, 2017	**DEC 31, 2016**
CURRENT RATIO	**1.61**	2.51
DEBT-TO-EQUITY RATIO	**1.56**	1.68

DISCUSSION OF KEY PERFORMANCE INDICATORS:

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

Management teams of the different business units continued to effectively handle their respective operations and financial requirements. As a result, profitability was sustained and the Group's financial position remained strong and liquid.

Associates continued to generate substantial earnings and enhance the Group's consolidated bottomline despite the 6% decline in their income contribution to the Group during the period in review. Consolidated EBITDA, which increased by 18% during 2017, translated into additional cash inflows coming from subsidiaries' operations and from dividend payments of associates. These internally-generated funds were then used to partially finance capital expenditures, settle maturing financial obligations, and pay cash dividends.

With substantial long-term debt prepayments and growth in equity during 2017, debt-to-equity ratio moved down to 1.56x (versus end-2016's 1.68x). Meanwhile, the end-2017 current ratio stood at 1.61x (versus end-2016's 2.51x) as current liabilities grew more than current assets.

RESULTS OF OPERATIONS

For the year ended December 31, 2017, AEV and its subsidiaries posted a consolidated net income of ₱21.61 bn, a 4% year-on-year (YoY) decrease. This translates to an earnings per share of ₱3.84 for the year in review. In terms of income contribution, Power Group still accounted for the bulk at 69%, followed by the Banking and Financial Services, Food, Real Estate and Infrastructure Groups at 18%, 7%, 3% and 3%, respectively.

The Group generated a non-recurring net loss of ₱2.30 bn during 2017 (versus a ₱347 mn loss in 2016) mainly from the Power Group's asset impairment and debt prepayment costs, partially reduced by a one-off recognition of lower interest expense from an acquired loan. Stripping out these one-off items, the Group's core net income for the year amounted to ₱23.91 bn, 5% higher than last year. AEV recorded an 18% increase during 2017 in consolidated earnings before interest, tax, depreciation and amortization (EBITDA), from ₱48.13 bn to ₱56.98 bn.

BUSINESS SEGMENTS

The following discussion describes the performance of the major business segments for 2017.

Power

Aboitiz Power Corporation's (AP) income contribution for 2017 was ₱15.70 bn, a 2% increase from 2016's ₱15.38 bn. Netting out impairment costs on its Aseagas Corporation (Aseagas) investment, pretermination costs on the refinancing made by its subsidiary, GNPower Mariveles Coal Plant Ltd. Co. (GMCP), and a one-off recognition of lower interest expense from an acquired loan, AP's contribution to core net income grew by 13% from ₱15.85 bn in 2016 to ₱17.95 bn in 2017.

Power Generation Group's bottomline contribution to AEV grew 9% during 2017 from ₱12.05 bn to ₱13.12 bn. Adjusted for non-recurring items, Generation Group's core net income contribution increased by 19% YoY to ₱15.51 bn. This improvement was substantially attributed to the strong performance of the Power Generation Group's hydro units and the full-period income contributed by GMCP, which was acquired in December 2016.

The Power Generation Group's capacity sold during 2017 increased by 41% year-on-year (YoY), from 2,223 megawatts (MW) to 3,124 MW, mainly driven by the additional capacity of GMCP, higher generation of its hydro units, and an increase in capacities contracted.

Power Distribution Group's earnings contribution to AEV increased by 16% during 2017 from ₱2.82 bn to ₱3.29 bn. Attributable electricity sales of 5,288 GWh increased by 4% during 2017. Gross margin per kilowatthour (kWh) for 2017 increased to ₱1.73 from ₱1.59 in 2016. The improved margins resulted from adequate power supply, better supply mix, and recoveries on purchased power costs.

Banking & Financial Services

Income contribution from this industry group declined by 16%, from ₱4.91 bn in 2016 to ₱4.12 bn in 2017.

On a stand-alone basis, Union Bank of the Philippines (UBP) and its subsidiaries recorded a net income of ₱8.4 bn for 2017, 17% lower compared to the ₱10.1 bn earned in 2016. The decline was primarily due to a ₱3.8 bn one-off trading gain booked in the third quarter of 2016. UBP's net income excluding securities trading gains, however, grew by 31% to ₱8.2 bn in 2017 from ₱6.2 bn in 2016.

PETNET Inc. contributed ₱20 mn during 2017 from a loss of ₱2 mn in 2016.

Food

Income contribution from Pilmico Foods Corporation (PILMICO) and its subsidiaries decreased by 2% during 2017 to ₱1.7 bn from ₱1.73 bn the previous year. For 2017, Feeds Philippines and Flour both reported decreases in income contribution while Farms and Feeds Vietnam both showed increases. The decline in net earnings of Feeds Philippines and Flour was largely due to higher raw material and operating costs. On the other hand, Feeds Vietnam reported an increase in bottomline during 2017 due to growth of commercial and export product lines and some foreign exchange gains. For Farms, the recovery during 2017 in live hog selling prices resulted in improved profits.

Real Estate

Income contribution of Aboitiz Land, Inc. (AboitizLand) during 2017 amounted to ₱744 mn, up 295% from ₱188 mn in 2016. This growth was mainly attributed to higher industrial lot sales, improved construction progress by the residential business unit, and healthy occupancy levels from the commercial business unit. AboitizLand also recognized fair valuation gains on investment properties in 2017.

Infrastructure

Republic Cement and Building Materials, Inc. (Republic) posted an income contribution of ₱671 mn in 2017, down 57% from 2016's ₱1.55 bn. Cement demand grew modestly in 2017, offset by lower prices and increased fuel and power costs.

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

For the year ended December 31, 2017, AEV and its subsidiaries posted a consolidated net income of ₱21.61 bn, a 4% YoY decrease.

Operating profit for 2017 totalled ₱36.58 bn, a 26% increase YoY, as the ₱34.01 bn in increase in revenues surpassed the ₱26.35 bn rise in costs and expenses. The increase in revenue was mainly attributed to the performance of the Power Group.

Power subsidiaries reported a 30% YoY increase in operating profit during 2017, from ₱26.31 bn to ₱34.17 bn, mainly due to the full-year earnings before interest and taxes (EBIT) contribution from GMCP.

Share in net earnings of associates for 2017 declined by 6% YoY (₱9.05 bn vs ₱9.65 bn in 2016) largely due to the decrease in UBP's income from the sale of securities and to RCBM's income decline for 2017 resulting from lower selling prices and higher production costs. This is partly offset by growth in the net income of SN AboitizPower-Magat (SNAP-Magat) and SN AboitizPower-Benguet (SNAP-Benguet) for 2017 due to higher volume sold and ancillary revenue resulting from better hydrology.

The growth in net interest expense and other charges during 2017, coupled with the decrease in equity earnings, more than offset the increase in operating profit, and as a result, pulled down the Group's overall profitability. Net interest expense in 2017 increased by ₱3.61 bn YoY as debt level increased following the consolidation of GMCP debt in December 2016, and the full year impact of interest expense incurred on additional debts availed of after December 2016.

Other charges of ₱26 mn were incurred in 2017 versus ₱2.05 bn other income in 2016. This was mainly due to Power Group's impairment of its investment in Aseagas and refinancing costs during 2017, versus 2016's unrealized forex gains and Therma South, Inc.'s (TSI) collection of settlements with suppliers.

Net income attributable to non-controlling interests increased to ₱7.67 bn in 2017 from ₱6.18 bn in 2016, substantially due to the full-period recognition of the net income after tax (NIAT) share of GMCP's minority shareholders.

AEV's consolidated comprehensive income attributable to equity holders increased by 2% from ₱22.07 bn in 2016 to ₱22.56 bn in 2017. The 4% decrease in consolidated net income was offset by the combined surge in AEV's share of an associate's unrealized mark-to-market (MTM) gains on its available-for-sale (AFS) investments and cumulative translation adjustments.

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

Assets

Compared to year-end 2016 level, consolidated assets increased 5% to ₱491.93 bn as of December 31, 2017, due to the following:

a. Trade and other receivables, inclusive of noncurrent portion, increased by 13% (₱24.77 bn end-2017 vs ₱22.01 bn as of December 31, 2016) mainly due to higher level of receivables of the Power and Food Groups.

b. Inventories increased by 22% (₱12.45 bn as of end-2017 vs ₱10.22 bn as of December 31, 2016) mainly due to increase in raw materials inventory of the Food Group and coal inventory of the Power Group.

c. Gross of depreciation expense, the combined growth in Property Plant and Equipment (PPE), Investment Properties (IP), and Land and Improvements (LI) as of December 31, 2017 was mainly due to the following: (i) ₱12.70 bn for on-going construction of AP's power plants; (ii) ₱6.07 bn in various capital expenditures of Power, Food and Real Estate Groups, (iii) ₱2.99 bn first-time consolidation of San Carlos Sun Power, Inc. (Sacasun) assets; and (iv) ₱862 mn gain recognized on the re-appraisal of certain investment properties. This was partly reduced by the ₱2.66 bn impairment of Aseagas' biomass plant during 2017.

d. Investments in and Advances to Associates as of December 31, 2017 increased by 5% (₱91.61 bn vs ₱86.95 bn as of December 31, 2016) mainly due to AP's ₱1.25 bn capital infusion into GN Power Dinginin Ltd. Co. (GNPD) and ₱244 mn capital infusion into RP Energy, the ₱275 mn acquisition of Balibago Waterworks System, Inc. (BWSI) shares by Aboitiz Infracapital, Inc. (AIC), the recording of ₱9.05 bn share in net earnings of associates, and the ₱703 mn share of a banking associate's MTM gains on its AFS investments during the year. This increase was partially offset by the ₱6.16 bn cash dividends received from associates during 2017.

e. Other current assets increased by 30% as of December 31, 2017 (₱12.44 bn vs ₱9.58 bn as of December 31, 2016) mainly due to the rise in prepaid insurance and prepaid taxes of the Power Group.

f. Available-for-sale (AFS) Investments increased by 37% (₱773 mn as of December 31, 2017 vs ₱564 mn as of December 31, 2016) mainly due to additional acquisitions made during the year.

g. Held-to-maturity (HTM) Investments increased to ₱189 mn as of December 31, 2017 from nil as of December 31, 2016. This was mainly due to new acquisitions made of this type of financial product during the year.

h. Derivative Assets (current and non-current) increased by 17% (P342 mn as of December 31, 2017 vs P292 mn as of December 31, 2016) mainly due to MTM gains recognized on existing forward contracts of the Power Group.

The above increases during 2017 were offset by the 19% decrease in Deferred Income Tax Assets (DTA) (₱1.52 bn as of December 31, 2017 vs ₱1.89 bn as of December 31, 2016), mainly due to the reversal of DTA set up in previous periods on the unrealized forex losses on loan restatement related to the prepayment of GMCP's loan.

Liabilities

Consolidated short-term bank loans increased by 187% as of end-2017 (₱23.70 bn vs ₱8.26 bn as of December 31, 2016) mainly due to availments made by Food Group, Power Group, PETNET, and AboitizLand to fund working capital requirements. On the other hand, long-term debt decreased by 4% (₱238.84 bn as of December 31, 2017 vs ₱249.46 bn as of December 31, 2016) substantially due to the prepayment of ₱15.93 bn in Therma Power, Inc. and ₱2.43 bn in Aseagas loans, and the ₱6.72 bn settlement of maturing loans and finance lease amortization. This was partly offset by the following: (a) AP's ₱3.0 bn bond issuance; (b) GMCP's ₱3.17 bn loan; (c) the combined ₱8.29 bn additional loan availment of Therma Visayas, Inc., Hedcor Bukidnon, and Pagbilao Electric Corporation (PEC) to finance on-going plant constructions; and (d) the ₱1.38 bn non-cash movement from foreign exchange differential and deferred financing costs.

Trade and other payables, inclusive of noncurrent portion, increased by 12%, from ₱22.67 bn as of end-2016 to ₱25.42 bn as of end-2017, mainly due to higher level of payables to suppliers and contractors resulting from the on-going plant construction by the Power Group.

Customers deposits decreased by 11%, from ₱7.04 bn as of end-2016 to ₱6.27 bn as of end-2017 as special deposits were refunded by distribution utilities to its customers during 2017.

Asset retirement obligation (ARO) increased by 62% from ₱1.82 bn as of end-2016 to ₱2.96 bn as of end-2017 due to incremental provisions recorded during 2017.

Derivative liabilities (current and non-current) decreased by 87% as of end-2017 (₱48 mn vs ₱361 mn as of December 31, 2016) mainly due to the derecognition of the derivative liability related to GMCP's loan, which was prepaid during 2017.

Equity

Equity attributable to equity holders of the parent increased by 10% from the year-end 2016 level of ₱140.28 bn to ₱154.70 bn as of end-2017 mainly due to the ₱21.61 bn net income recorded during 2017 and AEV's ₱709 mn share in UBP's unrealized MTM gains recognized on its AFS investments, reduced by ₱7.49 bn cash dividends paid.

MATERIAL CHANGES IN LIQUIDITY AND CASH RESERVES OF REGISTRANT

For the year ended December 31, 2017, the Group continued to support its liquidity mainly from cash generated from operations, additional short-term loan availments, and dividends received from associates.

Compared to 2016, consolidated cash generated from operating activities in 2017 increased by ₱224 mn to ₱32.24 bn, mainly due to the growth in earnings before interest, depreciation and amortization (EBIDA) recorded by subsidiaries during the year.

AEV ended 2017 with ₱11.30 bn net cash used in investing activities versus ₱84.67 bn in 2016. This was mainly due to lower amounts spent for ongoing plant construction and investments in associates.

Net cash used in financing activities in 2017 was ₱19.46 bn versus ₱52.85 bn generated in 2016. This was largely attributed to long-term loan repayments made during 2017 versus higher loan availments and the sale of treasury shares during 2016.

For 2017, net cash inflows surpassed cash outflows, resulting in a 2% increase in cash and cash equivalents from ₱63.86 bn as of year-end 2016 to ₱64.87 bn as of December 30, 2017.

FINANCIAL RATIOS

Backed by strong operating cash inflows, liquidity was adequately preserved. Current ratio stood at 1.61x as of end-2017 from 2.51x at the start of the year, since current liabilities grew more than current assets. Debt-to-Equity ratio stood at 1.56:1 as of end-2017 (versus year-end 2016's 1.68:1). This was mainly due to the growth in total equity coupled with substantial prepayment of long-term debt during 2017.

REVIEW OF JAN-DEC 2016 OPERATIONS VERSUS JAN-DEC 2015

KEY PERFORMANCE INDICATORS (KPI)

(Amounts in thousands except financial ratio data)

	JAN-DEC 2016	JAN-DEC 2015
EQUITY IN NET EARNINGS OF INVESTEES	**9,651,787**	6,589,452
EBITDA	**48,127,754**	40,171,067
CASH FLOW GENERATED:		
Net cash flows from operating activities	**32,013,422**	27,258,985
Net cash flows used in investing activities	**(84,668,374)**	(36,592,531)
Net cash flows from (used in) financing activities	**52,848,445**	22, 392,911
Net Increase in Cash & Cash Equivalents	**193,493**	13,059,365
Cash & Cash Equivalents, Beginning	**63,581,884**	50,481,566
Cash & Cash Equivalents, End	**63,857,528**	63,581,884
	DEC 31, 2016	**DEC 31, 2015**
CURRENT RATIO	**2.51**	2.84
DEBT-TO-EQUITY RATIO	**1.68**	1.31

DISCUSSION OF KEY PERFORMANCE INDICATORS:

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

Management teams of the different businesses continued to effectively handle their respective operations and financial requirements. As a result, profitability had been sustained and financial position remained strong and liquid.

Associates continued to generate substantial earnings and enhance the consolidated bottomline with the 46% rise in their income contribution to the Group. Consolidated EBITDA, which increased by 20%, translated into additional cash inflows coming from subsidiaries' operations and from dividend payments of associates. The internally-generated funds were then used to partially finance capital expenditures, settle maturing financial obligations and pay cash dividends.

With higher borrowings at the end of December 2016, debt-to-equity ratio edged up to 1.68x (versus end-2015's 1.31x). Meanwhile, current ratio stood at 2.51x (versus end-2015's 2.84x) as increase in current liabilities outpaced the increase in current assets.

RESULTS OF OPERATIONS

For the year ended December 2016, AEV and its subsidiaries posted a consolidated net income of ₱22.47 bn, a 27% YoY increase. This translated to an earnings per share of ₱4.02 for 2016. In terms of income contribution, Power Group still accounted for the bulk at 65%, followed by the Banking and Financial Services, Food, Infrastructure and Real Estate Groups at 21%, 7%, 7% and 1%, respectively.

The Group generated a non-recurring net loss of ₱347 mn (versus a ₱602 mn loss in 2015) mainly from the Power unit's refinancing costs and goodwill impairment, which were partly offset by the net foreign exchange gains from revaluation of dollar-denominated assets and liabilities. Stripping out these one-off items, the Group’s core net income for 2016 amounted to ₱22.82 bn, up 25% YoY.

BUSINESS SEGMENTS

The individual performance of the major business segments is discussed as follows:

Power

Aboitiz Power Corporation (AboitizPower) ended 2016 with an income contribution of ₱15.38 bn, a 14% increase from 2015’s ₱13.53 bn.

Power generation group's bottomline contribution to AEV increased by 17% in 2016 to ₱12.50 bn from ₱10.70 bn in2015. This was substantially attributed to the full-year income contribution of Therma South, Inc. (TSI), which started to generate earnings in September 2015.

AboitizPower’s attributable energy sold for 2016 grew by 8% YoY, from 12,550 gigawatt hours (GWh) to 13,495 GWh, mainly due to the 8% YoY growth in power sales through bilateral contracts. In line with the group’s efforts to reduce its exposure to spot market sales, bilateral sales constitute 91% of total power sold. Spot market sales likewise increased by 4% YoY to 1,216 GWh.

As of year-end 2016, AboitizPower's net sellable capacity stood at 2,975 MW after the PCC approval of the acquisition of GNPower Mariveles Coal Plant Ltd. Co. (GMCP).

On the other hand, AboitizPower's distribution group's earnings contribution to AEV decreased by 4% from ₱2.92 bn to ₱2.82 bn. Attributable electricity sales rose by 7% to 5,105 GWh in 2016 from 4,759 GWh in 2015 as energy sales grew across all customer segments. However, gross margin per kWh in 2016 decreased to ₱1.59 from ₱1.61 in 2015. The decline mostly came from the under-recoveries as a result of a shift in supply mix.

Banking and Financial Services

Income contribution from this industry group grew 93%, from ₱2.54 bn to ₱4.91 bn for 2016. Union Bank of the Philippines (UBP) income contribution rose 94% from ₱2.53 bn to ₱4.91 bn mainly due to profits from the sale of securities, coupled with higher net interest income and fees posted during 2016. Net interest income surged by 24% to ₱14.8 bn as UBP continued the build-up of its earning asset portfolio. Fee income likewise increased by 19% to ₱4.4 bn attributed to the increasing customer base in both loans and deposits.

Food

Income contribution from Pilmico Foods Corporation (Pilmico) and its subsidiaries increased slightly by 1% in 2016 to ₱1.73 bn from ₱1.71 bn in 2015. Feeds Philippines and Flour reported an increase in income contributions, while Feeds Vietnam and Farms both showed a decrease. Feeds Philippines income contribution increase was due to strong volume growth while Flour's improvement was a result of better performance of its by-products. On the other hand, Feeds Vietnam reported a decline in income contribution mainly due to lower selling prices and volume. For Farms, the significant drop in live hog prices more than offset the rise in volume on account of sow level expansion.

Real Estate

Income contribution of AboitizLand in 2016 amounted to ₱188 mn, 65% down from the ₱536 mn in 2015. Revenue at ₱2.4 bn posted a 7% decline from 2015 mainly due to deferred industrial business unit revenue recognition. The decline in net income was mainly due to the increase in opex spending to strengthen the organization and to support entry into the national real estate scene. In addition, AboitizLand recognized a fair valuation gain on investment properties in 2015, which did not recur in 2016.

Infrastructure

Newly-acquired infrastructure companies started contributing in mid-September 2015 and posted a combined income contribution of ₱1.55 bn for 2016, up 700% from ₱194 bn in 2015.

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

For the year ended December 31, 2016, consolidated net income allocable to the equity holders of AEV registered a 27% YoY increase, reaching ₱22.47 bn from ₱17.68 bn posted in 2015.

Operating profit for 2016 amounted to ₱28.9 bn, a 5% increase YoY, as the ₱5.16 bn increase in revenues surpassed the ₱3.65 bn rise in costs and expenses. This increase was mainly attributed to the performance of the Power Group.

Power subsidiaries reported a 7% YoY increase in operating profit from ₱24.69 bn to ₱26.31 bn mainly due to the growth in Earnings Before Income and Taxes (EBIT) of the Therma Power subsidiaries attributed to the full-year EBIT contribution from TSI.

Share in net earnings of associates rose by 46% YoY (₱9.65 bn vs ₱6.59 bn in 2015) largely due to the growth of UBP's net income during 2016, which resulted from higher net interest income and substantial gains from sale of securities, as well as, and full-year equity earnings contribution of infrastructure group.

The growth in equity earnings and other income, coupled with an increase in operating profit, more than offset the increase in net interest expense, and as a result, pulled up the Group's overall profitability. Net interest expense increased by ₱1.38 bn YoY resulting from higher level of debt.

Other Income reached ₱2.50 bn in 2016, from ₱224 mn in 2015, mainly due to TSI's collection of insurance proceeds from settlement of liquidated damages, AP's gain on step acquisition of EAUC, and lower foreign exchange losses.

Net income attributable to non-controlling interests increased to ₱6.18 bn from ₱5.48 bn in 2015, substantially due to the increase in AP's net income, 23% of which belongs to minority shareholders.

AEV's consolidated comprehensive income attributable to equity holders correspondingly increased by 42% from ₱15.54 bn in 2015 to ₱22.07 bn in 2016. The 27% increase in consolidated net income, combined with the 92% drop in AEV's share of an associate's unrealized mark-to-market losses on its available-for-sale (AFS) investments, accounted for this growth.

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

Assets

Compared to year-end 2015 level, consolidated assets increased 36% to ₱464.08 bn as of December 31, 2016, due to the following:

a. Trade and other receivables, inclusive of noncurrent portion, rose by 16% (₱22.01 bn vs ₱19.05 bn as of December 31, 2015) mainly due to the first-time consolidation of ₱2.15 bn receivable accounts of newly-acquired Subsidiary, GMCP, and higher receivables of the real estate group.

b. Inventories increased by 29% (₱10.22 bn vs ₱7.95 bn as of December 31, 2015) mainly due to the increase in power group's coal inventory as a result of the first-time consolidation of GMCP's accounts.

c. Derivative Assets, net of derivative liabilities (current and non-current) increased by 43% (₱805 mn vs ₱563 mn as of December 31, 2015) as a result of the first-time consolidation of GMCP's derivative instruments valued at ₱524 mn, partly offset by the ₱282 mn combined mark-to-market and realized swap losses on the other existing derivatives.

d. Other Current Assets increased by 48% (₱9.58 bn vs ₱6.49 bn as of December 31, 2015) substantially due to the recording of TSI's ₱2.10 bn restricted cash to comply with its project debt covenant and the ₱679 mn prepaid accounts of GMCP.

e. Gross of depreciation expense, the resulting ₱65.82 bn combined growth in Property Plant and Equipment (PPE), Investment Properties (IP), and Land and Improvements (LI) in 2016 was mainly due to the following: 1.) ₱28.4 bn construction of AP's power plants and Food Group's swine farms and plant facilities; 2.) ₱1.4 bn acquisition of AP generation and distribution assets; 3.) ₱34.4 bn first-time consolidation of EAUC and GMCP assets; and 4.) ₱917 mn additional lot purchases by Real Property Group.

f. Investments in and Advances to Associates increased by 18% (₱86.95 bn vs ₱73.43 bn as of December 31, 2015) mainly due to the ₱11.2 bn acquisition of GNPower Dinginin Ltd. Co. (GNPD) by AP, ₱587 mn purchase of UBP shares, ₱596 mn capital infusion into San Carlos Sun Power, Inc. (Sacasun), Maaraw Holdings San Carlos, Inc. and RP Energy by AP, and recording of ₱9.65 bn share in net earnings of associates for 2016. This increase was partially reduced by the ₱8.04 bn cash dividends received from associates, ₱232 mn de-equitized investment in EAUC, and ₱190 mn share of a banking associate's mark-to-market loss on its AFS investmentsfor the year 2016.

g. Available-for-Sale (AFS) Investments increased by 53% (₱564 mn vs ₱368 mn as of December 31, 2015) mainly due to additional acquisitions made during 2016.

h. Deferred Income Tax Assets increased by 171% (₱1.89 bn vs ₱700 mn as of December 31, 2015) mainly due to the corresponding deferred tax benefits recognized on the unrealized foreign exchange losses, actuarial losses on defined benefit plans and impairment provisions of the Group during 2016.

i. Goodwill increased by 1889% (₱41.25 bn vs ₱2.07 bn as of December 31, 2015) due to the ₱39.34 bn positive goodwill generated from AP's acquisition of GMCP, partly offset by the impairment of goodwill amounting to ₱169 mn on the investment in MEZ.

j. Other Noncurrent Assets increased by 46% (₱15.22 bn vs ₱10.43 bn as of December 31, 2015) primarily due to the build-up of deferred input VAT by Power Group in 2016 due to the ongoing construction of its power plants, and the ₱2.88 bn loan extended by ARI to Sacasun.

Liabilities

Consolidated short-term bank loans decreased by 7% (₱8.26 bn vs ₱8.88 bn as of December 31, 2015) mainly due to loan repayments made by Power Group in 2016. On the other hand, long-term debt increased by 64% (₱249.96 bn vs ₱152.46 bn as of December 31, 2015) substantially due to the ₱31.0 bn bridge financing availed by TPI to fund GMCP acquisition,

₱28.02 bn combined additional loan availment by TVI, PEC, Hedcor Bukidnon and Aseagas to finance plant constructions, ₱28.12 bn first-time consolidation of GMCP debt, and ₱15.98 bn loan availment by APRI and Hedcor Sibulan. This was reduced by ₱6.12 bn payment of finance lease and loan amortizations, and financing costs on new loan availments.

Trade and other payables, inclusive of noncurrent portion, increased by 22%, from ₱18.87 bn to ₱23.02 bn, mainly due to the increase in payables to suppliers and contractors of certain power subsidiaries and a joint operation investee as a result of ongoing plant construction in 2016, and first-time consolidation of GMCP's ₱1.81 bn accounts.

Income tax payable decreased by 28% in 2016 from ₱957 mn to ₱685 mn due to recording of lower income tax liability of Power and Food Groups for the year.

Customers deposits increased in 2016 by 7%, from ₱6.58 bn to ₱7.04 bn, mainly due to the growth in the customer base of power distribution subsidiaries and additional deposits from retail electricity supply (RES) customers.

Asset retirement obligation (ARO) decreased by 40% in 2016 from ₱3.02 bn to ₱1.82 bn, as a result of the change in the estimated future costs.

Pension liability, net of pension asset, decreased by 64%, from ₱649 mn to ₱232 mn, mainly on account of retirement contributions made by AEV, AP and the majority of the subsidiaries in 2016.

Equity

Equity attributable to equity holders of the parent increased by 19% in 2016 from year-end 2015 level of ₱118.22 bn to ₱140.28 bn, mainly due to the following: 1.) ₱16.59 bn increase in Retained Earnings resulting from the ₱22.47 bn net income recorded during 2016, reduced by the ₱5.89 bn cash dividends paid, and 2.) ₱5.87 bn sale of treasury shares. This was partly offset by the ₱368 mn additional share in UBP's unrealized mark-to-market losses on its AFS investments and actuarial losses on its defined benefit plans.

MATERIAL CHANGES IN LIQUIDITY AND CASH RESERVES OF REGISTRANT

For the year ended December 2016, the Group continued to support its liquidity mainly from cash generated from operations, additional loans availed and dividends received from associates.

Compared to the cash inflow in 2015, consolidated cash generated from operating activities in 2016 increased by ₱4.75 bn to ₱32.01 bn mainly due to the significant growth in earnings before interest, depreciation and amortization (EBIDA) recorded by subsidiaries in 2016 despite higher income taxes paid.

As of December 31, 2016 ended up with ₱84.67 bn net cash used in investing activities versus ₱36.59 bn in 2015. This was mainly due to higher funds spent on the ongoing plant constructions, acquisition of GMCP and GNPD, and step acquisition of EAUC.

Net cash from financing activities was ₱52.85 bn as of end-2016 versus ₱22.39 bn in 2015. This was largely attributed to the Group's higher level of long-term loan availments during the current year, coupled with higher cash generated from the sale of treasury shares.

For the period ended December 31, 2016, net cash inflows surpassed cash outflows, resulting in a 0.4% increase in cash and cash equivalents from ₱63.58 bn as of year-end 2015 to ₱63.86 bn in 2016.

FINANCIAL RATIOS

Backed by strong operating cash inflows, liquidity was adequately preserved. Current ratio as of end-2016 stood at 2.51x compared to 2.84x at the start of 2016, as current liabilities grew stronger than current assets. Debt-to-equity ratio climbed to 1.68:1 as of end-2016 (versus year-end 2015’s 1.31:1). This was mainly due to the growth in total liabilities which outpaced the increase in equity.

Item 7. Financial Statements

The audited consolidated financial statements of AEV will be incorporated herein by reference. The schedules listed in the accompanying Index to Supplementary Schedules will be filed as part of this SEC Form 20-IS.

Item 8. Information on Independent Accountant and other Related Matters

(A) External Audit Fees and Services

The following table sets out the aggregate fees paid by the Registrant for professional fees rendered by SGV:

Fee Type	Year ended December 31, 2018	Year ended December 31, 2017
Audit Fees		
Audit Fees	₱511,952.00	₱495,040.00
Audit-Related Fees	P9,000.00	143,667.00
Total	₱520,952.00	₱638,707.00
Non-Audit Fees		
Tax Fees	-	-
Consultancy Fees	0	₱1,537,418.69
Total		
Total Audit and Non-Audit Fees	**₱520,952.00**	**₱2,176,125.69**

Aside from audit services, the Company also engaged SGV in 2018 to provide financial advisory services for ongoing business development projects.

As a policy, the Board Audit Committee makes recommendations to the Board of Directors concerning the choice of external auditor and pre-approves audit plans, scope, and frequency before the audit is conducted.

Audit services of external auditors for the years 2018 and 2017 were pre-approved by the Board Audit Committee. The Committee had also reviewed the extent and nature of these services to ensure that the independence of the external auditors is preserved.

(B) Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

The Company has engaged the services of SGV during the two most recent fiscal years. There are no disagreements with SGV on accounting and financial disclosure.

PART III – CORPORATE GOVERNANCE

Guided by the Organization for Economic Cooperation and Development's (OECD) Five Principles of Corporate Governance during 2018, AEV continued its efforts to strengthen the roles and responsibilities of its Board. It adopted new protocols and improved existing systems and policies to protect the rights of its shareholders, safeguarded shareholders' equitable treatment, continuously recognized the value and participatory role of all stakeholders, and practiced the appropriate level of transparency and improved corporate disclosures. AEV continues its efforts to create long-term value for all stakeholders, and to drive change for a better world by advancing business and communities.

Shareholder Rights and Equitable Treatment

All shareholders, regardless of the amount of their shareholdings, are given the right to participate in the decision-making, pursuant to the Company's one share, one vote policy.

Moreover, to ensure that directors, officers, and even majority shareholders do not take advantage of their positions, allvshareholders within the Aboitiz Group are apprised of all related party transactions, with amounts disclosed. All related party transactions in the Aboitiz Group are reported in AEV's Consolidated Audited Financial Statements every year.

All shareholders receive notices of all shareholders' meetings, and all agenda items to be discussed and decided upon during the said meetings are set out in the notices and no new agenda items are taken up during the conduct of the meeting. The rationale of agenda items which are submitted to the shareholders' for their approval are included in the notices to shareholders' meetings.

Stakeholder Engagement

The Aboitiz Group is committed to the principles of sustainability to balance the interests of People, Planet, and Profit. By following this rule, AEV has obtained and maintained a good health, safety, and environmental track record. The Group launched its Sustainability Policy in 2013, in the belief that all stakeholders must be treated with fairness and that corporate social responsibility is an integral part of doing business. In support of this policy, in 2014, the Group launched its BetterWorld campaign to encourage all stakeholders to adopt this policy for sustainability.

AEV has a Revised Manual of Corporate Governance (Revised Manual) and a Code of Ethics and Business Conduct (Code) to guide the attainment of its corporate goals and the implementation of its strategies. In 2016, the Board of Directors, upon the endorsement of the Board Corporate Governance Committee, approved the revised Code which now includes a more defined anti-corruption and bribery policy, sustainability policy, and digital media policy, among others. In 2017, the Board of Directors, approved the Revised Manual which specifies the composition and duties of the newly-created and restructured board committees, the qualifications of the Corporate Secretary, an information security management policy, a sustainability policy, a risk management policy, a communication process and training process, a reportorial or disclosure system of the Company's corporate policies, a shareholders' benefit statement, and a monitoring and assessment system. The Revised Manual is generally aligned to the principles and recommendations laid down by the SEC under the Corporate Governance Code for Publicly-Listed Companies (CG Code) to further strengthen the Company's corporate governance practices. The Compliance Officer, together with the Human Resources Department, regularly monitors and evaluates compliance by the Board of Directors, management and employees to the Revised Manual, the Code, other company policies, and existing laws and regulations. The Compliance Officer also ensures the implementation of AEV's policy against conflicts of interests and the misuse of confidential and proprietary information throughout the organization.

The Compliance Officer regularly reports to the Board Corporate Governance Committee the Company's compliance status with existing laws and regulations, as well as the Board's, management's and employees' compliance with internal governance policies.

There are no major deviations from the Revised Manual as of the date of this report. The Board of Directors regularly reviews the Revised Manual to ensure that the same remains relevant and responsive to the needs of the organization.

Any amendments to the Revised Manual are promptly submitted to the SEC for confirmation and approval.

Disclosure and Transparency

Pursuant to its commitment to transparency and accountability, AEV's website, www.aboitiz.com has its own dedicated corporate governance webpage which serves as a resource center and library for its stakeholders. The Company also submitted an Integrated Annual Corporate Governance Report (IACGR) to the SEC the PSE. A copy of the IACGR is available for download at the Company's website www.aboitiz.com

Board Responsibility

The Board's primary objectives are to improve shareholder returns, to develop responsible long-term investments, and to achieve disciplined and sustainable growth. To this end, board attendance and active participation during board and committee meetings are encouraged from the directors. Attendance during board meetings are closely monitored and reported by the Compliance Officer to the SEC and PSE, as well as in the Company's IACGR.

In 2018, the Board of Directors held 12 meetings. Below is a summary of the attendance of the Directors.

BOARD MEETINGS ABOITIZ EQUITY VENTURES, INC.		Regular and Special Meetings in 2017												Total No. of Meetings Attended by Each Member	Percentage of Attendance
		REG	SP	REG	REG	ASM	ORG	SP	REG	SP	REG	REG	SP		
		30-Jan	8-Mar	22-Mar	21-May	21-May	21-May	5-July	26-Jul	1-Sept	3 - Oct	23 - Nov	11-Dec		
1	Jon Ramon Aboitiz	P	P	A	P	P	P	P	P	P	P	P	-	10	91%
2	Erramon I. Aboitiz	P	P	P	P	P	P	P	P	P	P	P	P	12	100%
3	Enrique M. Aboitiz	P	A	P	A	A	A	A	P	P	P	P	P	7	58%
4	Mikel A. Aboitiz	P	A	A	P	P	P	A	P	P	P	P	A	8	67%
5	Justo A. Ortiz	P	P	P	-	-	-	-	-	-	-	-	-	3	100%
6	Antonio R. Moraza	P	P	P	P	P	P	P	P	-	-	-	-	8	100%
7	Jose C. Vitug	P	P	P	P	P	P	P	P	P	P	P	P	12	100%
8	Raphael Perpetuo M. Lotilla	P	P	P	P	P	P	P	P	P	P	P	P	12	100%
9	Stephen T. CuUnjieng	P	P	P	-	-	-	-	-	-	-	-	-	3	100%
10.	Manuel R. Salak III	-	-	-	P	P	P	P	P	P	P	A	P	8	89%
11	Sabin M. Aboitiz	-	-	-	P	P	P	P	P	P	P	P	P	9	100%
12.	Edwin R. Bautista	-	-	-	-	-	-	-	-	P	P	P	P	4	100%
13.	Ana Maria A. Delgado*	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Total No. of Members Present in Each Meeting	**9**	**7**	**7**	**8**	**8**	**8**	**7**	**9**	**9**	**9**	**8**	**7**		
	Percentage of No. of Members Present in Each Meeting	**100%**	**78%**	**78%**	**89%**	**89%**	**89%**	**78%**	**100%**	**100%**	**100%**	**89%**	**78%**		

Legend: P - Present, A - Absent

* Ms. Ana Maria A. Delgado was appointed ass member of the Board of Directors on December 11, 2018.

Corporate governance is further fostered by the Board's active role in reviewing and approving corporate goals and strategies set by management, as well as in monitoring and evaluating management performance in meeting such goals. The different Board committees - Audit, Corporate Governance, Risk and Reputation Management, Related Party Transactions, and Executive Committee - report regularly to the Board and are crucial in maintaining Board oversight in key management areas.

The mandate and the composition of each Board committee are described below:

a. The **Board Corporate Governance Committee** represents the Board in discharging its responsibility relating to issues around the Group's governance principles and guidelines, nomination of persons into Board and Group senior leadership roles, and the various compensation matters. Independent Directors comprise majority of the voting members of the Board Corporate Governance Committee.

   Chairman: Raphael P.M. Lotilla[14]; Members: Mikel A. Aboitiz, Jose C. Vitug, Enrique M. Aboitiz, Manuel R. Salak, III; Ex-officio Members: Manuel Alberto R. Colayco[15] and Susan V. Valdez[16]

b. The **Board Audit Committee** represents the Board in discharging its responsibility related to audit matters for the Group. Independent Directors comprise majority of the members of the Board Audit Committee, including its Chairman.

   Chairman: Jose C. Vitug, Members: Enrique M. Aboitiz, Mikel A. Aboitiz[17], Raphael P.M. Lotilla, and Manuel R. Salak III

c. The **Board Risk and Reputation Management Committee** represents the Board in discharging its responsibility relating to risk management related matters for the Group.

   Chairman: Enrique M. Aboitiz; Members: Mikel A. Aboitiz[18], Erramon I. Aboitiz, Sabin M. Aboitiz, Manuel R. Salak III, Jose C. Vitug and Raphael P.M. Lotilla; Ex- Officio Members: David Jude L. Sta. Ana, Manuel R. Lozano and Annacel A. Natividad

d. The **Board Related Party Transaction Committee** represents the Board in discharging its responsibility relating to transactions entered into between or among the Company or any of its subsidiaries, affiliated, directors and officers.

   Chairman: Manuel R. Salak III; Members: Justice Jose C. Vitug (ret.) and Raphael Perpetuo M. Lotilla

e. The **Executive Committee** assists the Board in overseeing the Company's day-to-day operations of the Company. The Committee ensures agility in the management of the Company and in strategic decision-making, as well as compliance with the Company's governance policies, during the intervening period between Board meetings.

   Chairman: Erramon I Aboitiz; Members: Mikel A. Aboitiz[18], Enrique M. Aboitiz, Sabin M. Aboitiz, and Edwin R. Bautista

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[14] Mr. Raphael Perpetuo M. Lotilla, Lead Independent Director, replaced Mr. Jon Ramon Aboitiz as the Chairman of the Board Corporate Governance Committee on December 11, 2018.

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

[16] Ms. Susan V. Valdez replaced Mr. Xavier Jose Y. Aboitiz as *ex-officio* non-voting member of AEV's Board Corporate Governance Committee effective January 1, 2019.

[17] Mr. Enrique M. Aboitiz replaced Mr. Jon Ramon Aboitiz as member of the Board Audit Committee on December 11, 2018.

[18] Mr. Mikel A. Aboitiz replaced Mr. Jon Ramon Aboitiz as member of the Board Risk and Reputation Management Committee and Board Executive Committee on December 11, 2018.

2018 Corporate Governance Initiatives

Going beyond mere compliance and box-ticking, the Company regularly updates its corporate governance policies to ensure that they are relevant to the needs of the organization and, at the same time, at par with global best practices. Below are the highlights of the Company's Corporate Governance initiatives in 2018:

Aboitiz Equity Ventures Inc.	• Amendment of AEV's By-Laws • Amendment of AEV Manual on Corporate Governance • Establishment of a Board Executive Committee • 2018 Group-wide Corporate Governance Seminar • Cascade of the Company's Related Party Transactions (RPT) Policy • Cascade of the Code of Ethics and Business Conduct e-learning modules • Implementation of the Group-wide Whistleblowing Policy

For 2018, there were no recorded deviations from, or violations of the Revised Manual, the Code of Ethics and Business Conduct (the "Code of Ethics"), or any other company governance and compliance policies and protocols.

For a full discussion on the Company's initiatives, a copy of the Integrated Annual Report will be available at www.aboitiz.com.

Corporate Governance Awards

As a testament to its commitment to adopt best practices, AEV has been consistently recognized in local and international surveys, assessments, and scorecards as among the Philippines' best-managed companies and cited for its commitment to good corporate governance practices.

In 2018, AEV was recognized as one of the top 10, in a list of 247 Philippine publicly-listed companies, as ranked by the Institute of Corporate Directors back in July 2018 using a set of comparable standards, which articulates recommendations on policies and practices based on good governance principles of the Organization for Economic Cooperation and Development (OECD). In November 2018, the Company was recognized as one of the Top 50 Publicly Listed Companies in the ASEAN Corporate Governance Awards. The event was organized by the ASEAN Capital Markets Forum and the Institute of Corporate Directors as the appointed domestic ranking body held at the Kuala Lumpur Convention Centre, Kuala Lumpur, Malaysia.

In 2018, AEV has been recognized with the following awards:

Awards	Awards Received
Institute of Corporate Directors ASEAN Corporate Governance Scorecard 2017	Top 10 Performing Philippine Publicly-listed companies in the 2017 ASEAN Corporate Governance Scorecard (ACGS)
In-House Community – Counsels of the Year Awards 2018	In-House Legal Team of the Year – Energy & Natural Resources (Asia Winner)
FinanceAsia Asia's Best Companies 2018	Top-performing Publicly Listed Company in the Philippines
IABC 16th Philippine Quill Awards	A Better Future with Cleanergy – Professional Merit Award

ANNEX "A"

EXPLANATION OF AGENDA ITEMS REQUIRING STOCKHOLDERS' APPROVAL
(including Agenda items requiring Stockholders' Approval)

ITEM NO. 2: Proof of Notice of Meeting

RATIONALE: To inform the stockholders that notice requirements for the 2019 Annual Stockholders' Meeting (ASM) have been complied with in accordance with the Company's By-Laws and the Revised Corporation Code of the Philippines.

The Corporate Secretary will certify the date when notices for the 2019 ASM were sent out to the stockholders of record, including the date of publication and the newspapers where the notice was published.

ITEM NO. 3: Determination of Quorum

RATIONALE: *To inform the stockholders of the existence of a quorum for the 2019 ASM, and of the procedure for the conduct of voting for the agenda items being put to a vot*e.

The Corporate Secretary will certify the existence of a quorum, as verified and confirmed by the Board of Election Inspectors. Stockholders representing at least a majority of the outstanding capital stock, present in person or by proxy, shall constitute a quorum for the transaction of business.

Should there be agenda items put to a vote, the following are the rules of conduct and procedures:

(i) During the registration process, Company personnel with nametags labeled "AEV ASM Staff" will issue numbered voter receipts to stockholders and proxies. The AEV ASM Staff will keep the receipts and details of the voters in the ASM registration records.

(ii) Voting shall be done manually. The AEV ASM Staff will distribute to the stockholders and proxies the relevant ballot for the particular agenda item put to a vote. The sample ballot for the agenda item will also be displayed on the screen in front of the Ballroom.

(iii) The stockholders and proxies are required to present their voter receipts to the AEV ASM Staff so that they will be provided with the ballots. Valid ballots bear the signature of the Corporate Secretary at the back.

(iv) To vote, a stockholder is required to fill up the ballot, indicate his voting number, and the number of shares of stock he owns consistent with the records of the Company. The AEV ASM Staff will collect the ballots for counting.

(v) Each outstanding share of stock entitles the stockholder to one (1) vote, except for the election of directors where a stockholder may distribute his shares for as many nominees as there are directors to be elected, or he may cumulate his shares and give one candidate as many votes as the number of directors to be elected. The total number of votes cast should not exceed the total number of shares a stockholder owns.

(vi) In general, the approval of the stockholders owning and representing at least a majority of the capital stock present at the meeting is sufficient to approve an agenda item. There is no item in the 2019 ASM Agenda that requires a higher percentage of votes from the stockholders.

(vii) All votes received shall be tabulated by the Office of the Corporate Secretary and the results shall be validated by Luis Cañete & Company, an independent auditing firm which has been appointed as the Board of Election Inspectors.

(viii) The Corporate Secretary shall report the votes received and inform the stockholders if the particular agenda item is carried or disapproved. The total number of votes cast for all items for approval under the agenda will be flashed on the screen.

ITEM NO. 4: **Reading and Approval of the Minutes of the Previous Stockholders' Meeting held on May 21, 2018**

RATIONALE: *To allow the stockholders to confirm that the proceedings during the ASM were recorded accurately and truthfully.*

The minutes of the meeting held on May 21, 2018 were posted at AEV's website, www.aboitiz.com, on May 22, 2018. Copies of the minutes will also be distributed to the stockholders before the 2019 ASM.

A resolution approving the minutes of the May 21, 2018 ASM will be presented to the stockholders for approval.

ITEM NO. 5: **Presentation of the President's Report**

RATIONALE: *To apprise the stockholders of the Company's operating performance, financial condition and outlook.*

The President and Chief Executive Officer, Mr. Erramon I. Aboitiz, shall deliver a report to the stockholders on the 2018 operating and financial performance of the Company, as well as its outlook for 2019.

ITEM NO. 6: **Approval of the 2018 Annual Report and Financial Statements**

RATIONALE: *To present to the stockholders the results of the Company's operations in 2018, in accordance with Section 74 of the Revised Corporation Code.*

The Company's audited financial statements as of December 31, 2018 have been integrated and made part of the Company's 2018 Definitive Information Statement (2018 Information Statement). The 2018 Information Statement will be sent to the stockholders at least 15 business days prior to the ASM, and the same will be posted at the Company's website at www.aboitiz.com.

A resolution approving the 2018 Annual Report and audited financial statements shall be presented to the stockholders for approval.

ITEM NO. 7: **Appointment of the Company's External Auditor for 2019**

RATIONALE: *To appoint an auditing firm which can best provide assurance to the directors and stockholders on the integrity of the Company's financial statements and adequacy of its internal controls. The Board Audit Committee and the Board of Directors will endorse an external auditor for 2019 for the stockholders to appoint.*

The Company's Board Audit Committee endorsed, and the Board of Directors approved for stockholders consideration the election of Sycip Gorres Velayo & Co. (SGV) as the Company's external auditor for 2019.

SGV has been AEV's Independent Public Accountant for the last 20 years. Ms. Maria Veronica Andresa R. Pore has been AEV's audit partner since audit year 2017. AEV complies with the requirement of Section 3(b)(ix) of SRC Rule 68 on the rotation of external auditors or signing partners and the two-year cooling-off period.

There have been no event in the past 20 years wherein AEV and SGV or its handling partner had any disagreement regarding any matter relating to accounting principles or practices, financial statement disclosures or auditing scope or procedures.

A resolution for the appointment of the Company's external auditor for 2019 shall be presented to the stockholders for approval.

ITEM NO. 8: **Ratification of the Acts, Resolutions and Proceedings of the Board of Directors, Corporate Officers and Management in 2018 up to April 22, 2019**

RATIONALE: *To allow the stockholders to ratify the acts of the Board of Directors, Corporate Officers, and Management of the Company in accordance with the Revised Corporation Code.*

The resolutions approved by the Board in its regular and special meetings refer only to acts done by the Board of Directors, corporate officers and management in the ordinary course of business. The board resolutions are enumerated in the 2018 Information Statement. The Company also regularly discloses material transactions approved by the Board. These disclosures are available for viewing and download at the Company's website at www.aboitiz.com.

A resolution to ratify the acts, resolutions, and proceedings of the Board of Directors, corporate officers and management in 2018 up to the date of the 2019 ASM shall be presented to the stockholders for approval.

ITEM NO. 9: Approval of the Increase in the Diretors' Per Diem and Monthly Allowance

RATIONALE: *To approve the increase in the Directors' monthly allowance and per diem*

During its February 18, 2019 meeting, the Corporate Governance Committee, which performs the function of the Nomination and Compensation Committee, proposed to increase the directors' monthly allowance and per diem for every meeting as follows:

MONTHLY ALLOWANCE	Directors		Chairman of the Board	
	From	To	From	To
	₱120,000.00	₱150,000.00	₱180,000.00	₱200,000.00

Per Diem Per Meeting	Directors/Committee Members		Chairman of the Board/Committee	
	From	To	From	To
Board Meeting	₱100,000.00	₱150,000.00	₱150,000.00	₱200,000.00
Committee Meeting	₱80,000.00	₱100,000.00	₱100,000.00	₱130,000.00

During its Board Meeting dated March 7, 2019, the Board of Directors approved the proposed increase in the monthly allowance and per diem, and endorsed the same for stockholders' approval.

The directors' remuneration was last increased in 2015, when the shareholders approved the increase in the monthly allowance from ₱100,000.00 to ₱120,000.00 for members of the Board, and from ₱150,000.00 to ₱180,000.00 for the Chairman of the Board. Since then, the Company' businesses have expanded in scope and became more complicated in nature. The Board decided that there is thus a need to increase the remuneration of the directors so that it remains comparable with companies that have the same Board size, revenue, assets, and market capitalization.

A resolution approving the proposed increase in monthly allowance and per diem shall be presented to the stockholders for approval.

ITEM NO. 10: Election of the Members of the Board of Directors

RATIONALE: *To allow stockholders to elect the Company's Board of Directors in accordance with Section 23 of the Revised Corporation Code and the Company's By-Laws.*

A stockholder may submit his nominee to the Company's Board of Directors in accordance with the deadlines set forth in the Company's Amended By-Laws, which for this year shall be on or before March 27, 2019. Under the Amended Guidelines for the Nomination and Election of Independent Directors, the period for nominations for Independent Directors started on January 1, 2019 and the table of nominations closed on February 15, 2019. The stockholders who nominated the Independent and other directors are disclosed in the 2018 Information Statement. The Board Corporate Governance Committee assesses and evaluates the nominees before submitting the final list of qualified nominees to the stockholders for approval. The profiles of all the nominees are included in the 2018 Information Statement and uploaded in the Company's website for examination by the stockholders.

A stockholder may distribute his shares for as many nominees as there are directors to be elected, or he may cumulate his shares and give one candidate as many votes as the number of directors to be elected, provided that the total number of votes cast does not exceed his shares in the Company. The nine nominees receiving the highest number of votes will be declared elected as directors of the Company.

ITEM NO. 11: Other Matters

The Chairman of the Meeting will open the floor for comments or queries by the stockholders. Stockholders may raise matters which may be properly taken up during the 2019 ASM.

ANNEX "B-1"

CERTIFICATION OF INDEPENDENT DIRECTORS

I, Justice Jose C. Vitug (ret.), Filipino, of legal age and a resident of [redacted], after having been duly sworn to in accordance with law, do hereby declare that:

1. I am a nominee for Independent Director of Aboitiz Equity Ventures Inc. (AEV) and have been its independent director since May 16. 2005.

2. I am currently affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
ABS-CBN Holdings Corporation	Independent Director	2011 to present
Angeles University Foundation Medical Center	Chairman of the Board of Trustees	2007 to present
Angeles University Foundation	Board Member and Law Dean	2005 to present
Philippine Judicial Academy	Professorial Lecturer	2004 to present
San Beda College, School of Law	Graduate Professor	2005 to present
Philippine National Group of Judges of the Permanent Court of Arbitration	Member	2017 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of AEV, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations and other SEC issuances.

4. I am not related to any director/officer/substantial shareholder of AEV and its subsidiaries and affiliates.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. No conflict of interest exists between my being an Independent Director of AEV and my other affiliations as defined and stated in the AEV Guidelines for the constitution of the Nomination Committee (now referred to as "Board Corporate Governance Committee") and the nomination and election of the independent directors.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of AEV of any changes in the abovementioned information within five (5) days from its occurrence.

Done, this 1 8 FEB 2019 at TAGUIG CITY

(SGD.)
JOSE C. VITUG
Affiant

SUBSCRIBED AND SWORN to before me this 1 8 FEB 2019 at TAGUIG CITY. Affiant, who is personally known to me, personally appeared before me and exhibited to me his Philippine Passport No. [redacted]

Doc. No. 411;
Page No. 84;
Book No. 111;
Series of 2019.

ATTY. SAMMY DAVE A. SANTOS
ROLL NO. 63272
NOTARY PUBLIC
TAGUIG CITY, PHILS.

Atty. Sammy Dave A. Santos
Notary Public for Taguig City
Notarial Commission No. 48
Until December 31, 2019
NAC Tower, 32nd St. Bonifacio Global City, Taguig City
PTR No. A-4208017, Taguig City; January 07, 2019
IBP O.R. No. 061323 January 08, 2019
Roll No. 63272
MCLE Compliance No. VI 0016957

ANNEX "B-2"

CERTIFICATION OF INDEPENDENT DIRECTORS

I, Manuel R. Salak III, Filipino, of legal age and a resident of [redacted] after having been duly sworn to in accordance with law, do hereby declare that:

1. I am a nominee for Independent Director of Aboitiz Equity Ventures Inc. (AEV) and have been its independent director since May 21, 2018.

2. I am currently affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
ING Bank N.V. Philippines	Senior Strategic Advisor	July 1, 2017 to present
Alpha Primus Advisors	Founder and Managing Principal	July 1, 2017 to present
Maxicare Philippines	Independent Director	December 2017 to present
Asian Institute of Management	Trustee	2014 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of AEV, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations and other SEC issuances.

4. I am not related to any director/officer/substantial shareholder of AEV and its subsidiaries and affiliates.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. No conflict of interest exists between my being an Independent Director of AEV and my other affiliations as defined and stated in the AEV Guidelines for the constitution of the Nomination Committee (now referred to as "Board Corporate Governance Committee") and the nomination and election of the independent directors.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of AEV of any changes in the abovementioned information within five (5) days from its occurrence.

Done, this 18 FEB 2019 at TAGUIG CITY.

(SGD.)
MANUEL R. SALAK III
Affiant

SUBSCRIBED AND SWORN to before me this 18 FEB 2019 at TAGUIG CITY. Affiant, who is personally known to me, personally appeared before me and exhibited to me his Philippine Passport No. [redacted]

ATTY. SAMMY DAVE A. SANTOS
ROLL NO. 63272
NOTARY PUBLIC
TAGUIG CITY, PHILS.

Atty. Sammy Dave A. Santos
Notary Public for Taguig City
Notarial Commission No. 48
Until December 31, 2019
NAC Tower, 32nd St. Bonifacio Global City, Taguig City
PTR No. A-4208017; Taguig City; January 07, 2019
IBP O.R. No. 061323; January 08, 2019
Roll No. 63272
MCLE Compliance No. VI 0016957

Doc. No. 409;
Page No. 83;
Book No. III;
Series of 2019.

ANNEX "B-3"

CERTIFICATION OF INDEPENDENT DIRECTORS

I, Raphael P. M. Lotilla, Filipino, of legal age and a resident of [redacted], after having been duly sworn to in accordance with law, do hereby declare that:

1. I am a nominee for Independent Director of Aboitiz Equity Ventures Inc. (AEV) and have been its independent director since May 16, 2005.

2. I am currently affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
Center for the Advancement of Trade Integration and Facilitation	Chairman of the Board of Trustees	2013 to present
First Metro Investment, Inc.	Independent Director	2013 to present
Trans Asia Petroleum Corporation	Independent Director	2014 to present
Petron Foundation, Inc.	Independent Director	2014 to present
Asia-Pacific Pathways to Progress Foundation, Inc.	Chairman of the Board of Trustees	2014 to present
Philippine Institute for Development Studies	Trustee	2014 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of AEV, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations and other SEC issuances.

4. I am not related to any director/officer/substantial shareholder of AEV and its subsidiaries and affiliates.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. No conflict of interest exists between my being an Independent Director of AEV and my other affiliations as defined and stated in the AEV Guidelines for the constitution of the Nomination Committee (now referred to as "Board Corporate Governance Committee") and the nomination and election of the independent directors.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, the Code of Corporate Governance for Publicly Listed Companies, and other SEC issuances.

8. I shall inform the Corporate Secretary of AEV of any changes in the abovementioned information within five (5) days from its occurrence.

Done, this 1 8 FEB 2019 at TAGUIG CITY.

(SGD.)
RAPHAEL P.M. LOTILLA
Affiant

SUBSCRIBED AND SWORN to before me this 1 8 FEB 2019 at TAGUIG CITY. Affiant, who is personally known to me, personally appeared before me and exhibited to me his Philippine Passport No. [redacted]

ATTY. SAMMY DAVE A. SANTOS
ROLL NO. 63272
NOTARY PUBLIC
TAGUIG CITY, PHILS.

Atty. Sammy Dave A. Santos
Notary Public for Taguig City
Notarial Commission No. 48
Until December 31, 2019
NAC Tower, 32nd St. Bonifacio Global City, Taguig City
PTR No. A-4208017; Taguig City; January 07, 2019
IBP O.R. No. 061323, January 08, 2019
Roll No. 63272
MCLE Compliance No. VI 0016957

Doc. No. 407;
Page No. 83;
Book No. III;
Series of 2019.

ANNEX "C"

SUMMARY OF THE MINUTES OF THE 2018 ANNUAL STOCKHOLDERS' MEETING

The meeting was called to order on May 21, 2018 at 4:00 p.m. by the Chairman of the Board, Mr. Jon Ramon Aboitiz. The Corporate Secretary certified that notices for the 2018 Annual Stockholders' Meeting of AEV were duly sent out on April 20, 2018 to all stockholders of record as of the close of business hours on March 31, 2018. The Corporate Secretary further reported that notices of the meeting were also published in Philippine Daily Inquirer, Philippine Star, Business World on April 18, 2018.

The Corporate Secretary certified to the existence of a quorum, there being present a total of 29,405,605 shares present in person 4,938,624,208 shares represented by proxy, or a total of 4,968,029,813 shares which constitute at least a majority of, or 88.18% of the total outstanding capital stock of 5,633,792,557 entitled to vote, or more than 2/3 of the total outstanding shares entitled to vote.

Upon motion duly made and seconded, the minutes of the previous Annual Stockholders' Meeting last May 21, 2018 was approved.

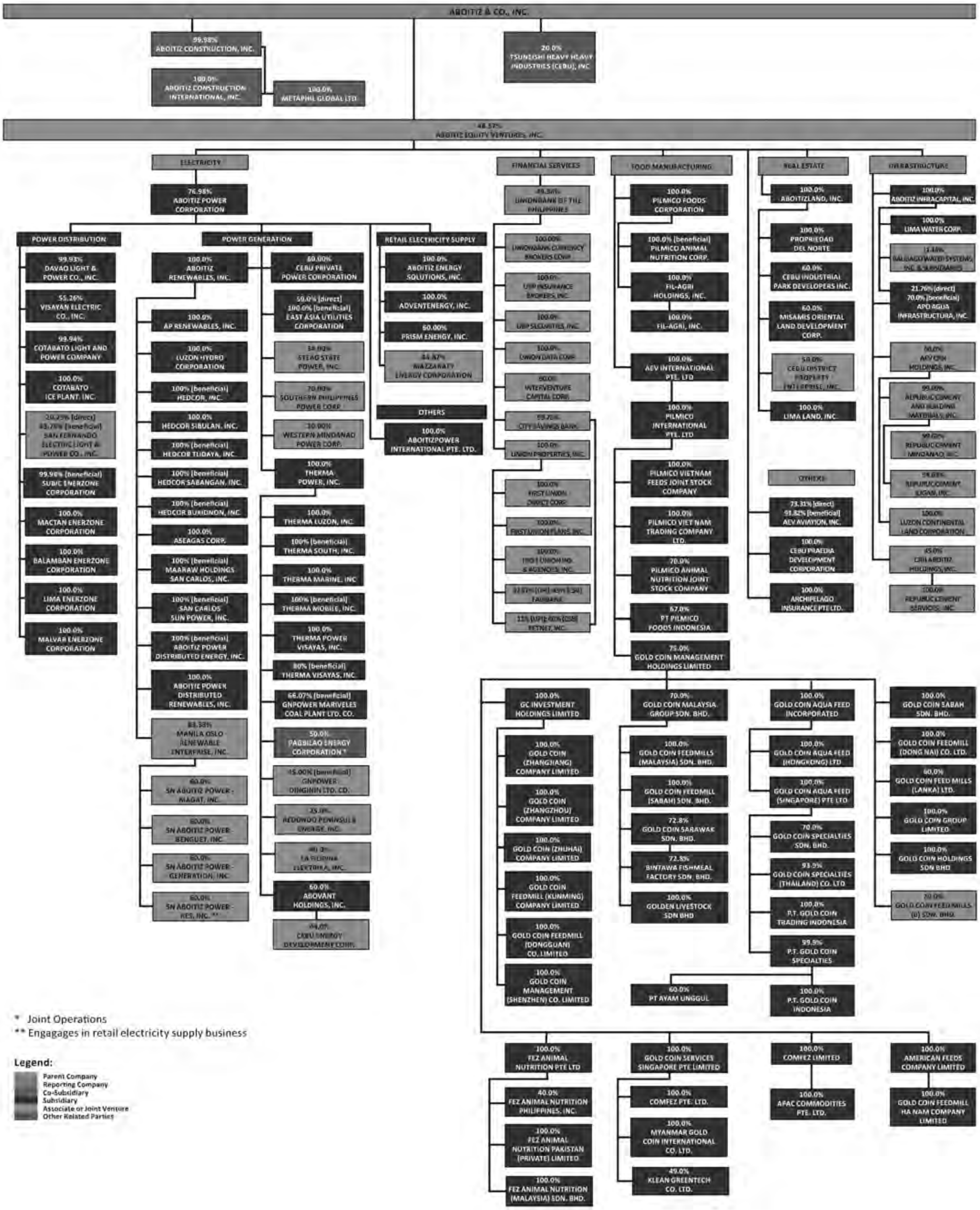
The body passed the following resolutions:

1. Approval of the 2018 Annual Report and Financial Statements
2. Appointment of the Company's External Auditors for 2018
3. Ratification of the Acts, Resolutions and Proceedings of the Board of Directors, Corporate Officers, and Management in 2018 up to May 22, 2018
4. Update on the Amendment of the Company's By-Laws
5. Election of the Members of the Board of Directors

After the approval of such resolutions, the meeting was duly adjourned.

ANNEX "D"

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES
CONGLOMERATE MAPPING
As of December 31, 2018



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The Board Audit Committee Report to the Board of Directors

Aboitiz Equity Ventures, Inc.

The Board Audit Committee is pleased to present its report for the financial year ended December 31, 2018.

Audit Committee Responsibility

In giving effect to its duly approved charter, the Audit Committee assisted the Board of Directors in fulfilling its oversight responsibility to the Company and its stakeholders by providing advice relating to: (a) the adequacy and efficiency of the company's system of internal controls, governance and risk management processes; (b) the quality and integrity of the company's accounting, auditing, legal, ethical and regulatory compliances; (c) the annual independent audit of the Company's financial statements and the external auditors' qualification and independence; and (d) due observance of applicable laws and regulations that may have financial and other material exposure to the Company; as well as providing an avenue of communication among the independent auditors, the management, the internal audit and the Company.

The Committee has established a constructive and collaborative relationship with the Company's senior leadership to give support, but not to pre-empt any responsibility in making final audit-related decisions.

Committee Membership

The Audit Committee is composed of five (5) members, three (3) of whom are independent directors including its Chairman.

Jose C. Vitug, a retired Justice of the Supreme Court (an Independent Director) is the Chairman of the Committee. Other members of the committee are Atty. Raphael P. M. Lotilla (Independent Director), Manuel R. Salak III (Independent Director), Endika M. Aboitiz, Jr. (Non-Executive Director) and Mikel A. Aboitiz (Non-Executive Director).

Informatively, there were interim changes in the Committee composition. Manuel R. Salak III (Independent Director) replaced Stephen T. CuUnjieng (Independent Director); Jon Ramon Aboitiz (Non-Executive Director) replaced Justo A. Ortiz (Non-Executive Director).

Endika M. Aboitiz, Jr. was elected to replace Jon Ramon Aboitiz as Non-Executive Director and member of the Board Audit Committee upon the demise of the later in November 30, 2018

Meetings and Attendance

The Audit Committee carried out its function through its meetings with management, internal auditors, independent external auditors, advisers, and others where appropriate.

The audit charter provides for the Committee to hold at least four (4) regular meetings a year, with the authority to convene special meetings when deemed required. It also holds an annual joint meeting with the Board Risk and Reputation Committee.

In 2018, five (5) meetings were held. The attendance by each member of the committee is as so indicated below:

Member	Mar 6, 2018 Regular Meeting	April 30, 2018 Regular Meeting	July 23, 2018 Regular Meeting	Oct 22, 2018 Regular Meeting	Nov 21, 2018 Joint with Risk
JOSE C. VITUG Chairman, Independent Director	✓	✓	✓	✓	✓
RAPHAEL P. M. LOTILLA Independent Director	✓	✓	✓	✓	✓
STEPHEN T. CUUNJIENG Independent Director	✓	✓	N/A	N/A	N/A
MANUEL R. SALAK III Independent Director	N/A	N/A	x	x	✓
MIKEL A. ABOITIZ Non-Executive Director	✓*	✓	✓	✓	✓
JUSTO A. ORTIZ Non-Executive Director	✓	✓	N/A	N/A	N/A
JON RAMON ABOITIZ (1) Non-Executive Director	N/A	N/A	✓	x	✓*

(1) Jon Ramon Aboitiz passed away November 30, 2018

* Attended via videocon

Attendees to these meetings also include the Group Internal Audit Head and, by invitation, the Chief Risk Officer, the Chief Financial Officer, Controller and other key leaders whenever deemed necessary or appropriate.

Financial Reports

The Board Audit Committee reviewed, discussed, and approved the 2018 quarterly unaudited consolidated financial statements. The Committee endorsed for approval by the Board the 2018 annual audited financial statements of Aboitiz Equity Ventures, Inc., its subsidiaries and alliances. Included in the review were the Management Discussion and Analysis of Financial Condition and Results of Operations following prior review and discussion with management, accounting, and the company's independent external auditor, SyCip Gorres Velayo & Co. (SGV)—a "member practice" of Ernst & Young (EY) in the Philippines.

The activities of the Audit Committee are performed in the context—

- That management has the primary responsibility for the financial statements and the financial reporting process; and
- That the company's independent external auditor is responsible for expressing an unqualified opinion on the conformity and consistency of application of the Company's audited financial statements with Philippine Financial Reporting Standards.

External Auditors

Upon the endorsement of the Audit Committee to the Board which, in turn, sought the approval of the shareholders of Aboitiz Equity Ventures, Inc., during its Annual General Stockholders Meeting held last May 21, 2018, SyCip Gorres Velayo & Co. (SGV) was re-appointed as the independent external auditor for 2018 with Maria Veronica Andresa R. Pore as the signing partner for SGV.

The overall scope and audit plan of SGV were reviewed and approved during the October 22, 2018 regular Audit Committee meeting. The audit plan, fees and terms of engagement which covers audit-related services provided by SGV were also reviewed and found to be reasonable.

The results of the SGV audits and its assessment of the overall quality of the financial reporting process were presented and discussed during the first Audit Committee meeting the following year, February 26, 2019. SGV presented the effects of changes in relevant accounting standards and presentation of financial statements that impact on the reported results.

Non-audit services related to the conduct of post reviews and other procedures for the purpose of issuing a comfort letter in connection with the issuance of the P10.2 Billion bonds were provided by SGV in 2019; The Company also engaged SGV to provide financial and tax due diligence as well as to conduct trainings with regard to the adoption of new standards.

Internal Auditors

The Audit Committee is satisfied with the internal audit function and has assessed that it is operating effectively and to generally cover the risks pertinent to the company in its audits. The Committee has reviewed and approved the annual audit program for the year which also covers the adequacy of resources, qualifications and competency of the staff and independence of the internal auditor.

With reference to the IPPF Attribute Standard 1100 which states that "*The Internal Audit Activity must be independent, and internal auditors must be objective in* *performing their work.*", the Committee confirms that the function is executed effectively and internal auditors have conducted their responsibilities objectively and in an unbiased manner. The Committee further confirms that, to the best of its knowledge and belief, the auditors have no personal or other impediments that would prevent them from objectively planning, conducting, reporting, or otherwise participating and reaching independent conclusions in their audit assignments in 2018. Internal audit is organizationally positioned to be independent— functionally reporting to the Board Audit Committee and administratively to the President and Chief Executive Officer.

The Board Audit Committee is satisfied with the content and quality of reports prepared and issued by the internal auditors during the year under review.

The Group Internal Audit (GIA) remains to be the single-point-of-contact for the Audit Committee. It takes the lead in setting the standards, initiatives and overall direction of the group audit teams which, in turn, focus their reviews on the top risks of their respective business units. Information systems and technology-related risks however, still remain to be an area covered by the group information systems auditors.

Based on audit reports and highlights presented to the Committee and with the contribution provided by management and other key leaders on the issues raised to their attention, the Committee concurs with internal audit's assessment that, generally, there is reasonable assurance that the existing system of internal controls, risk management and governance allow for a generally adequate management of identified risks and effectively supports the improvement of the management of the Company as a whole. There is a need, however, to further strengthen governance and controls over security standards for information and related technologies particularly in relation to cybersecurity risks.

External Quality Assessment

The Internal Audit team of Aboitiz Equity Ventures, Inc., after undergoing an External Quality Assessmen (EQA) review by the authorized validators of the Institute of Internal Auditors (IIA) Philippines that are duly accredited by the Institute of Internal Auditors (IIA) International, received the official EQAR results early 2018.

It is the opinion of the IIA that on the overall, the internal audit team of Aboitiz Equity Ventures, Inc., "**Generally Conforms**" to the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics for internal audit practitioners. **Generally Conforms** is the highest rating awarded in connection with an EQA and the internal audit team has been commended for this achievement.

The EQA, much like any global certification is not required. Acquiring it helps build the reputation not just of internal audit but of Aboitiz as a company that not only conforms, complies and follows but adopts and implements the *Standards* and best practices of the internal audit function. The EQA certification is valid for 5 years till 2022. Until then, internal audit will ensure that it continually works on its Quality Assurance Improvement Program and apply it across the group.

Review of the Audit Charters

There are no changes to the Charters for 2018. The review and updating of the charters are done at least once a year, endorsed by the Audit Committee and approved by the Board.

Self-Assessment

The Committee conducted its annual self-assessment in accordance with the guidelines of SEC Memo Cir. No. 4, series of 2012. The assessment result showed that it fully complied with the requirements set forth in the Audit Charter and met the necessary and most important requirements set by global standards and best practices.

Risk Management

The partnership between the functions of risk management and internal audit has remained solid. In order to continuously provide objective assurance to the board on the effectiveness of risk management, a joint audit and risk committee meeting is held at least once a year.

Presented in the November 21, 2018 joint meeting are the top strategic risks, emerging risks and project risks that present a significant impact to the Company's ability to execute its plans, strategies and business objectives for the following year. These top risks serve as an input for the preparation of internal audit's master plan for the following year.

After considering, analyzing and reviewing all pertinent information on the integrity of financial reporting, effectiveness of internal controls, risk management, governance and compliance within the Aboitiz group of companies, the Committee is of the view that, in all material aspects, the duties and responsibilities as so outlined in its Charter have been satisfactorily performed.

On behalf of the Committee,

(SGD.)
Jose C. Vitug
(Retired Justice, Supreme Court/Independent Director)
Chairman

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Internal Control and Compliance System Attestation
For the year ended, December 31, 2018

Aboitiz Equity Ventures, Inc.'s (AEV) corporate governance system includes a combination of internal and external mechanism such as the structure of the board of directors and our committees, the oversight it exercises over management, and the formulation of sound policies and controls.

- The Board of Directors is responsible for providing governance and overseeing the implementation of adequate internal control mechanism and risk management processes;
- Management has the primary responsibility for designing and implementing an adequate and effective system of internal controls and risk management processes to ensure compliance with rules and regulations, and the law;
- Management is responsible for developing a system to monitor and manage risks;
- SGV & Co., the Company's external auditor is responsible for assessing and expressing an opinion on the conformity of the audited financial statements with Philippine Financial Reporting Standards and the overall quality of the financial reporting process;
- Internal Audit adopts a risk-based audit approach in developing an annual work plan and conducts reviews to assess the adequacy of the Company's internal control system;
- The Company's Group Internal Audit Head that acts as the equivalent of a Chief Audit Executive reports functionally to the Board Audit Committee to ensure independence and objectivity, allowing Internal Audit to fulfil its responsibilities; and
- Internal Audit activities conform with the International Standards for the Professional Practice of Internal Auditing and are continuously evaluated through an independent Quality Assessment Review conducted every five years.

Based on the above assurance provided by the internal auditors as well as the external auditors as a result of their reviews, we attest that AEV's internal control and compliance system, which covers governance, risk, and control processes, are adequate.

(SGD.)
Erramon I. Aboitiz
President & Chief Executive Officer

(SGD.)
Maria Lourdes Y. Tanate
Group Internal Audit Head

SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA Greenhills
Mandaluyong, Metro Manila

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The management of Aboitiz Equity Ventures, Inc. is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2018 and 2017 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

(SGD.)
ENRIQUE. ABOITIZ
Chairman of the Board

(SGD.)
ERRAMON I. ABOITIZ
President & Chief Executive Officer

(SGD.)
MANUEL R. LOZANO
Senior Vice President - Chief Financial Officer

Signed this 7th day of March 2019

Republic of the Philippines)
Taguig City) S.S.

Before me, a notary public in and for the city named above, personally appeared:

Name	Passport/CTC	Date/Place Issued
Enrique M. Aboitiz Jr.	[redacted]	February 28, 2018, Manila
		January 30, 2019, Cebu City
Erramon I. Aboitiz		March 11, 2017, Manila
		January 29, 2019, Cebu City
Manuel R. Lozano		May 6, 2018, Manila
		January 10, 2019, Taguig City

who are personally known to me and to me known to be the same persons who presented the foregoing instrument and signed the instrument in my presence, and who took an oath before me as to such instrument.

Witness my hand and seal this 07 day of March 2019.

ATTY. ADRIANNE MARIE C. ALAZAS
ROLL NO. 588449
NOTARY PUBLIC
TAGUIG CITY, PHILS.

Doc. No. 299;
Page No. 52;
Book No. II;
Series of 2019.

Atty. Adrianne Marie C. Alazas
Notary Public for Taguig City
Notarial Commission No. 50
Until December 31, 2019
NAC Tower 32nd St. Bonifacio Global City, Taguig City
PTR No. A-4208014, January 07, 2019, Taguig City
IBP O.R. No. 061325, Taguig City, January 08, 2019
Roll No. 58449
MCLE No. VI-0015862, December 13, 2018

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-4 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Aboitiz Equity Ventures, Inc.
32nd Street, Bonifacio Global City
Taguig City, Metro Manila
Philippines

Opinion

We have audited the consolidated financial statements of Aboitiz Equity Ventures, Inc. and its subsidiaries (the Group), which comprise the consolidated balance sheets as at December 31, 2018 and 2017, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2018 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Recoverability of Goodwill

As of December 31, 2018, the goodwill amounted to ₱56.26 billion, which is attributable to several cash-generating units, which is considered significant to the consolidated financial statements. We consider the recoverability of goodwill as a key audit matter due to the materiality of the amount involved and the significant management assumptions and judgment involved, which includes cash-generating unit identification, discount and growth rate, revenue assumptions and material price inflation.

The Group's disclosures about goodwill are included in Note 12 to the consolidated financial statements.

Audit Response

We involved our internal specialist in assessing the methodology and assumptions used by the Group in estimating value-in-use. We compared significant assumptions, such as growth rate, revenue assumptions and material price inflation, against historical data and industry outlook. Our internal specialist reviewed the discount rates by performing an independent testing on the derivation of the discount rates using market-based parameters. We performed sensitivity analyses to understand the impact of reasonable changes in the key assumptions. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment testing is most sensitive.

Accounting for Business Combinations: Acquisition of Gold Coin Management Holdings (GCMH)

As disclosed in Note 9 to the consolidated financial statements, on July 27, 2018, the Group, through Pilmico International Pte. Ltd., entered into a Sale and Purchase Agreement (SPA) to acquire 75% ownership interest in GCMH from Golden Springs Group Ltd. for US$333.8 million or ₱18.1 billion. The goodwill recognized based on the provisional purchase price allocation performed was ₱15.5 billion. We consider the accounting for this acquisition to be a key audit matter due to the transaction's financial significance to the Group and significant management judgment and estimation involved in determining the acquisition date, existence of control, identifying the underlying acquired assets and liabilities, and determining their fair values, specifically the property, plant and equipment.

Audit Response

We reviewed the SPA and other agreements covering the acquisition, the consideration paid and the provisional purchase price allocation. We reviewed the identification of GCMH's underlying assets and liabilities, specifically the property, plant and equipment, based on our understanding of GCMH's business and management's explanations on the rationale for the acquisition. We assessed the competence, capabilities and objectivity of the external appraiser who prepared the appraisal report by considering their qualifications, experience and reporting responsibilities. We involved our internal specialist in evaluating the methodologies and assumptions used in arriving at the fair values of the property, plant and equipment. We compared the key assumptions used such as the list prices by reference to relevant market data, and obtained understanding of the sources and bases of adjustment and obsolescence factors through discussions with the external appraisers.

We also evaluated the presentation and the disclosure of the transaction in the consolidated financial statements.

Revenue Recognition of Distribution Utilities

The Group's revenue from the sale of electricity accounts for 24% of the Group's consolidated revenue and is material to the Group. This matter is significant to the audit because the revenue recognized depends on the electric consumption captured, the rates applied across different customers, and the systems involved in the billing process. Electric consumption captured is based on the meter readings taken on various dates for the different types of customers (i.e., industrial, commercial, and residential customers) within the franchise areas of operations of the distribution utilities. In addition, the Group adopted PFRS 15, *Revenue from Contracts with Customers*, effective January 1, 2018, which involves the accounting for the sale of electricity which qualifies as a series of distinct services which is accounted for as one performance obligation that will be satisfied over the period when the services are expected to be provided.

The Group's disclosures related to this matter are provided in Notes 2 and 25 to the consolidated financial statements.

Audit Response
We obtained an understanding and evaluated the design and tested the controls over the billing and revenue process which includes the capture and accumulation of meter data in the billing system and calculation of billed amounts, and uploading of billed amounts from the billing system to the financial reporting system. We performed a test calculation of the rates using the Energy Regulatory Commission-approved rates and formulae, then compared them with the rates used in billing statements.

On PFRS 15 adoption, we obtained understanding of the Group's implementation process and tested the relevant controls. We reviewed the PFRS 15 adoption documentation and the updated accounting policies as prepared by management, including revenue streams identification and scoping, and contract analysis. We obtained sample contracts and reviewed the performance obligation identified to be provided by the Group, the determination of transaction price, and the timing of the revenue recognition based on the period when services are to be rendered. We also reviewed the notes disclosure on the adoption of PFRS 15.

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Recoverability of Certain Segments of Property, Plant and Equipment

Based on the assessment of the Group as of December 31, 2018, certain segments of its property, plant and equipment totaling ₱5.44 billion, may be impaired. We considered the recoverability of certain segments of property, plant and equipment as a key audit matter because of the amount involved and significant management assumptions and judgment involved which include future electricity generation levels and costs as well as external inputs such as fuel prices, electricity prices and discount rates.

The disclosure about the recoverability of certain segments of property, plant and equipment are included in Note 13 to the consolidated financial statements.

Audit Response
We involved our internal specialist in assessing the methodology and the assumptions used by the Group in estimating value-in-use. We compared the significant assumptions, such as future electricity generation levels and costs, fuel prices and electricity prices against historical data and industry outlook. Our internal specialist reviewed the discount rates by performing an independent testing on the derivation of the discount rates using market-based parameters. We performed sensitivity analyses to understand the impact of reasonable changes in the key assumptions. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment testing is most sensitive.

Accounting for Investment in an Associated Company

Aboitiz Equity Ventures, Inc. (AEV) exercises significant influence over Union Bank of the Philippines (UBP), a universal bank publicly listed in the Philippine Stock Exchange. The Group's investment in UBP is accounted for under the equity method. UBP's income is significantly affected by the level of provisioning of its loans and other receivables, which requires significant management judgment. In addition, the Group adopted PFRS 9, *Financial Instruments*, effective January 1, 2018, which introduces a forward-looking expected credit loss (ECL) model to assess impairment on debt financial assets not measured at fair value through profit or loss.

The Group's disclosure on investments in associates is in Notes 2 and 10 to the consolidated financial statements.

Audit Response
We obtained the financial information of UBP for the year ended December 31, 2018 and recomputed the Group's share in net income of UBP and assessed the disclosures on the investment in associate in the consolidated financial statements.

We obtained an understanding of the methodologies and models used for UBP's different credit exposures of its loans and other receivables and assessed whether these considered the requirements of PFRS 9 to reflect an unbiased and probability-weighted outcome, and to consider time value of money and the best available forward-looking information.

We (a) assessed UBP's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics; (b) tested the definition of default and significant increase in credit risk criteria against historical analysis of accounts and credit risk management policies and practices in place; (c) tested UBP's application of internal credit risk rating system by reviewing the ratings of sample credit exposures; (d) tested loss given default by inspecting historical recoveries and related costs, write-offs and collateral valuations; (e) tested exposure at default considering outstanding commitments and repayment scheme; (f) checked the reasonableness of forward-looking information used for overlay through statistical test and corroboration using publicly available information and our understanding of UBP's lending portfolios and broader industry knowledge; and, (g) tested the effective interest rate used in discounting the expected loss.

Further, we checked the data used in the ECL models by reconciling data from source system reports to the data warehouse and from the data warehouse to the loss allowance models and financial reporting systems. To the extent that the loss allowance analysis is based on credit exposures that have been disaggregated into subsets of debt financial assets with similar risk characteristics, we traced or re-performed the disaggregation from source systems to the loss allowance analysis. We also assessed the assumptions used where there are missing or insufficient data.

We recalculated impairment provisions on a sample basis. We checked the appropriateness of the transition adjustments as at January 1, 2018.

We involved our internal specialists in the performance of the above procedures.

Consolidation Process

AEV owns a significant number of domestic and foreign entities at varying equity interests. We considered the consolidation process as a key audit matter because it required significant auditor attention, particularly on the following areas: (a) fair value adjustments arising from business combinations, (b) numerous intercompany transactions, (c) alignment of accounting policies of the investees with the Group's policy on property, plant and equipment and investment properties, (d) translation of investees' foreign-currency-denominated financial information to the Group's functional currency and (e) other equity adjustments.

The Group's disclosure on the basis of consolidation is in Note 2 to the consolidated financial statements.

Audit Response
We obtained an understanding of the consolidation process and the related controls, the Group's process for identifying related parties and related party transactions, as well as the reconciliation of intercompany balances. We also checked the entities included in the consolidation. We reviewed the eliminating entries recorded, including fair value adjustments. In addition, we reviewed the currency translation adjustments, as well as the alignment of accounting policies on property, plant and equipment and investment properties.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Maria Veronica Andresa R. Pore.

SYCIP GORRES VELAYO & CO.

Maria Veronica Andresa R. Pore
Partner
CPA Certificate No. 90349
SEC Accreditation No. 0662-AR-3 (Group A),
March 2, 2017, valid until March 1, 2020
Tax Identification No. 164-533-282
BIR Accreditation No. 08-001998-71-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 7332597, January 3, 2019, Makati City

March 7, 2019

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Aboitiz Equity Ventures, Inc.
32nd Street, Bonifacio Global City
Taguig City, Metro Manila
Philippines

Opinion

We have audited the consolidated financial statements of Aboitiz Equity Ventures, Inc. and its subsidiaries (the Group), which comprise the consolidated balance sheets as at December 31, 2018 and 2017, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2018 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Recoverability of Goodwill

As of December 31, 2018, the goodwill amounted to ₱56.26 billion, which is attributable to several cash-generating units, which is considered significant to the consolidated financial statements. We consider the recoverability of goodwill as a key audit matter due to the materiality of the amount involved and the significant management assumptions and judgment involved, which includes cash-generating unit identification, discount and growth rate, revenue assumptions and material price inflation.

The Group's disclosures about goodwill are included in Note 12 to the consolidated financial statements.

Audit Response
We involved our internal specialist in assessing the methodology and assumptions used by the Group in estimating value-in-use. We compared significant assumptions, such as growth rate, revenue assumptions and material price inflation, against historical data and industry outlook. Our internal specialist reviewed the discount rates by performing an independent testing on the derivation of the discount rates using market-based parameters. We performed sensitivity analyses to understand the impact of reasonable changes in the key assumptions. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment testing is most sensitive.

Accounting for Business Combinations: Acquisition of Gold Coin Management Holdings (GCMH)

As disclosed in Note 9 to the consolidated financial statements, on July 27, 2018, the Group, through Pilmico International Pte. Ltd., entered into a Sale and Purchase Agreement (SPA) to acquire 75% ownership interest in GCMH from Golden Springs Group Ltd. for US$333.8 million or ₱18.1 billion. The goodwill recognized based on the provisional purchase price allocation performed was ₱15.5 billion. We consider the accounting for this acquisition to be a key audit matter due to the transaction's financial significance to the Group and significant management judgment and estimation involved in determining the acquisition date, existence of control, identifying the underlying acquired assets and liabilities, and determining their fair values, specifically the property, plant and equipment.

Audit Response
We reviewed the SPA and other agreements covering the acquisition, the consideration paid and the provisional purchase price allocation. We reviewed the identification of GCMH's underlying assets and liabilities, specifically the property, plant and equipment, based on our understanding of GCMH's business and management's explanations on the rationale for the acquisition. We assessed the competence, capabilities and objectivity of the external appraiser who prepared the appraisal report by

considering their qualifications, experience and reporting responsibilities. We involved our internal specialist in evaluating the methodologies and assumptions used in arriving at the fair values of the property, plant and equipment. We compared the key assumptions used such as the list prices by reference to relevant market data, and obtained understanding of the sources and bases of adjustment and obsolescence factors through discussions with the external appraisers.

We also evaluated the presentation and the disclosure of the transaction in the consolidated financial statements.

Revenue Recognition of Distribution Utilities

The Group's revenue from the sale of electricity accounts for 24% of the Group's consolidated revenue and is material to the Group. This matter is significant to the audit because the revenue recognized depends on the electric consumption captured, the rates applied across different customers, and the systems involved in the billing process. Electric consumption captured is based on the meter readings taken on various dates for the different types of customers (i.e., industrial, commercial, and residential customers) within the franchise areas of operations of the distribution utilities. In addition, the Group adopted PFRS 15, *Revenue from Contracts with Customers*, effective January 1, 2018, which involves the accounting for the sale of electricity which qualifies as a series of distinct services which is accounted for as one performance obligation that will be satisfied over the period when the services are expected to be provided.

The Group's disclosures related to this matter are provided in Note 2 and 25 to the consolidated financial statements.

Audit Response
We obtained an understanding and evaluated the design and tested the controls over the billing and revenue process which includes the capture and accumulation of meter data in the billing system and calculation of billed amounts, and uploading of billed amounts from the billing system to the financial reporting system. We performed a test calculation of the rates using the Energy Regulatory Commission-approved rates and formulae, then compared them with the rates used in billing statements.

On PFRS 15 adoption, we obtained understanding of the Group's implementation process and tested the relevant controls. We reviewed the PFRS 15 adoption documentation and the updated accounting policies as prepared by management, including revenue streams identification and scoping, and contract analysis. We obtained sample contracts and reviewed the performance obligation identified to be provided by the Group, the determination of transaction price, and the timing of the revenue recognition based on the period when services are to be rendered. We also reviewed the notes disclosure on the adoption of PFRS 15.

Recoverability of Certain Segments of Property, Plant and Equipment

Based on the assessment of the Group as of December 31, 2018, certain segments of its property, plant and equipment totaling ₱5.44 billion, may be impaired. We considered the recoverability of certain segments of property, plant and equipment as a key audit matter because of the amount involved and significant management assumptions and judgment involved which include future electricity generation levels and costs as well as external inputs such as fuel prices, electricity prices and discount rates.

The disclosure about the recoverability of certain segments of property, plant and equipment are included in Note 13 to the consolidated financial statements.

Audit Response
We involved our internal specialist in assessing the methodology and the assumptions used by the Group in estimating value-in-use. We compared the significant assumptions, such as future electricity generation levels and costs, fuel prices and electricity prices against historical data and industry outlook. Our internal specialist reviewed the discount rates by performing an independent testing on the derivation of the discount rates using market-based parameters. We performed sensitivity analyses to understand the impact of reasonable changes in the key assumptions. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment testing is most sensitive.

Accounting for Investment in an Associated Company

Aboitiz Equity Ventures, Inc. (AEV) exercises significant influence over Union Bank of the Philippines (UBP), a universal bank publicly listed in the Philippine Stock Exchange. The Group's investment in UBP is accounted for under the equity method. UBP's income is significantly affected by the level of provisioning of its loans and other receivables, which requires significant management judgment. In addition, the Group adopted PFRS 9, *Financial Instruments*, effective January 1, 2018, which introduces a forward-looking expected credit loss (ECL) model to assess impairment on debt financial assets not measured at fair value through profit or loss.

The Group's disclosure on investments in associates is in Notes 2 and 10 to the consolidated financial statements.

Audit Response
We obtained the financial information of UBP for the year ended December 31, 2018 and recomputed the Group's share in net income of UBP and assessed the disclosures on the investment in associate in the consolidated financial statements.

We obtained an understanding of the methodologies and models used for UBP's different credit exposures of its loans and other receivables and assessed whether these considered the requirements of PFRS 9 to reflect an unbiased and probability-weighted outcome, and to consider time value of money and the best available forward-looking information.

We (a) assessed UBP's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics; (b) tested the definition of default and significant increase in credit risk criteria against historical analysis of accounts and credit risk management policies and practices in place; (c) tested UBP's application of internal credit risk rating system by reviewing the ratings of sample credit exposures; (d) tested loss given default by inspecting historical recoveries and related costs, write-offs and collateral valuations; (e) tested exposure at default considering outstanding commitments and repayment scheme; (f) checked the reasonableness of forward-looking information used for overlay through statistical test and corroboration using publicly available information and our understanding of UBP's lending portfolios and broader industry knowledge; and, (g) tested the effective interest rate used in discounting the expected loss.

Further, we checked the data used in the ECL models by reconciling data from source system reports to the data warehouse and from the data warehouse to the loss allowance models and financial reporting systems. To the extent that the loss allowance analysis is based on credit exposures that have been disaggregated into subsets of debt financial assets with similar risk characteristics, we traced or re-performed the disaggregation from source systems to the loss allowance analysis. We also assessed the assumptions used where there are missing or insufficient data.

We recalculated impairment provisions on a sample basis. We checked the appropriateness of the transition adjustments as at January 1, 2018.

We involved our internal specialists in the performance of the above procedures.

Consolidation Process

AEV owns a significant number of domestic and foreign entities at varying equity interests. We considered the consolidation process as a key audit matter because it required significant auditor attention, particularly on the following areas: (a) fair value adjustments arising from business combinations, (b) numerous intercompany transactions, (c) alignment of accounting policies of the investees with the Group's policy on property, plant and equipment and investment properties, (d) translation of investees' foreign-currency-denominated financial information to the Group's functional currency and (e) other equity adjustments.

The Group's disclosure on the basis of consolidation is in Note 2 to the consolidated financial statements.

Audit Response
We obtained an understanding of the consolidation process and the related controls, the Group's process for identifying related parties and related party transactions, as well as the reconciliation of intercompany balances. We also checked the entities included in the consolidation. We reviewed the eliminating entries recorded, including fair value adjustments. In addition, we reviewed the currency translation adjustments, as well as the alignment of accounting policies on property, plant and equipment and investment properties.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Maria Veronica Andresa R. Pore.

SYCIP GORRES VELAYO & CO.

Maria Veronica Andresa R. Pore

Maria Veronica Andresa R. Pore
Partner
CPA Certificate No. 90349
SEC Accreditation No. 0662-AR-3 (Group A),
March 2, 2017, valid until March 1, 2020
Tax Identification No. 164-533-282
BIR Accreditation No. 08-001998-71-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 7332597, January 3, 2019, Makati City

March 7, 2019

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BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-4 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

The Board of Directors and Stockholders
Aboitiz Equity Ventures, Inc.
32nd Street, Bonifacio Global City
Taguig City, Metro Manila
Philippines

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Aboitiz Equity Ventures, Inc. and Subsidiaries included in this Form 17-A and have issued our report thereon dated March 7, 2019. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Securities Regulation Code Rule 68, as amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Maria Veronica Andresa R. Pore

Maria Veronica Andresa R. Pore
Partner
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February 26, 2018, valid until February 25, 2021
PTR No. 7332597, January 3, 2019, Makati City

March 7, 2019

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Amounts in Thousands)

	December 31, 2018	December 31, 2017 (As restated; Note 10)	January 1, 2017 (As restated; Note 10)
ASSETS			
Current Assets			
Cash and cash equivalents (Note 4)	**₱59,033,029**	₱64,870,214	₱63,857,528
Trade and other receivables (Note 5)	**33,795,312**	24,192,785	21,732,203
Inventories (Note 6)	**22,103,434**	12,453,335	10,221,448
Land and improvements (Note 6)	**2,340,113**	3,689,677	3,525,381
Property held for sale (Note 13)	**675,819**	–	–
Derivative asset (Note 36)	**71,583**	228,644	188,417
Other current assets (Notes 7 and 8)	**17,989,065**	12,442,516	9,579,230
Total Current Assets	**136,008,355**	117,877,171	109,104,207
Noncurrent Assets			
Property, plant and equipment (Notes 13 and 19)	**221,430,841**	213,232,540	202,237,611
Investments and advances (Note 10)	**106,959,557**	91,609,592	86,637,677
Goodwill (Notes 9 and 12)	**56,261,911**	41,308,689	41,249,629
Investment properties (Notes 14 and 29)	**8,224,667**	6,844,633	5,372,390
Intangible asset - service concession rights (Note 15)	**3,791,377**	3,062,307	3,222,123
Deferred income tax assets (Note 31)	**2,324,773**	1,525,630	1,893,878
Trade receivables - net of current portion (Note 5)	**258,809**	580,925	277,771
Derivative asset - net of current portion (Note 36)	**221,245**	113,297	103,443
Financial assets at fair value through profit or loss (FVTPL) (Notes 2 and 3)	**353,734**	–	–
Financial assets at fair value through other comprehensive income (FVOCI) (Notes 2 and 3)	**225,552**	–	–
Available-for-sale (AFS) investments (Notes 2 and 3)	**–**	772,794	563,748
Debt investments at amortized cost (Notes 2 and 3)	**453,871**	–	–
Held-to-maturity (HTM) investments (Notes 2 and 3)	**–**	189,216	–
Net pension assets (Note 30)	**158,575**	176,952	115,264
Other noncurrent assets (Notes 8 and 16)	**17,914,967**	14,637,951	15,217,184
Total Noncurrent Assets	**418,579,879**	374,054,526	356,890,718
TOTAL ASSETS	**₱554,588,234**	₱491,931,697	₱465,994,925
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables (Notes 18, 34 and 39)	**₱34,725,810**	₱24,536,584	₱22,210,909
Bank loans (Note 17)	**26,978,586**	23,701,140	8,259,028
Current portions of:			
Long-term debts (Note 19)	**10,702,974**	20,722,330	7,698,261
Long-term obligation on Power Distribution System (PDS) (Note 15)	**40,000**	40,000	40,000
Finance lease obligations (Notes 13 and 22)	**4,131,059**	3,316,165	2,968,491
Derivative liability (Note 36)	**161,565**	47,577	127,442
Income tax payable	**535,233**	703,489	685,215

(Forward)

	December 31, 2018	December 31, 2017 (As restated; Note 10)	January 1, 2017 (As restated; Note 10)
Total Current Liabilities	**77,275,227**	73,067,285	41,989,346
Noncurrent Liabilities			
Noncurrent portions of:			
Long-term debts (Note 19)	**₱200,729,393**	₱168,364,717	₱189,184,633
Finance lease obligations (Notes 13 and 22)	**42,763,296**	45,909,089	49,371,713
Trade payables (Notes 18 and 34)	**3,695,261**	880,943	578,892
Long-term obligation on PDS (Note 15)	**173,496**	186,071	197,248
Customers' deposits (Note 20)	**6,127,788**	6,269,383	7,040,347
Asset retirement obligation (Note 21)	**3,678,810**	2,959,060	1,821,577
Deferred income tax liabilities (Note 31)	**2,395,200**	1,623,915	1,567,411
Net pension liability (Note 30)	**486,232**	400,306	347,699
Derivative liability - net of current portion (Note 36)	**–**	–	233,435
Total Noncurrent Liabilities	**260,049,476**	226,593,484	250,342,955
Total Liabilities	**337,324,703**	299,660,769	292,332,301
Equity Attributable to Equity Holders of the Parent			
Capital stock (Note 23)	**5,694,600**	5,694,600	5,694,600
Additional paid-in capital (Note 23)	**13,013,197**	13,013,197	13,013,197
Other equity reserves:			
Gain on dilution (Note 2)	**5,043,152**	5,043,152	5,376,176
Excess of book value over acquisition cost of an acquired subsidiary (Note 9)	**469,540**	469,540	469,540
Acquisition of non-controlling interests (Note 2)	**(1,679,549)**	(1,577,075)	(1,577,075)
Accumulated other comprehensive income (loss):			
Net unrealized mark-to-market gains on FVOCI investments	**143**	–	–
Net unrealized mark-to-market gains on AFS investments	**–**	17,280	9,106
Cumulative translation adjustments (Note 36)	**734,404**	189,465	34,262
Actuarial losses on defined benefit plans (Note 30)	**(676,765)**	(666,132)	(783,891)
Share in actuarial losses on defined benefit plans of associates and joint ventures (Note 10)	**(435,068)**	(537,099)	(513,132)
Share in cumulative translation adjustments of associates and joint ventures (Note 10)	**250,295**	(107,913)	(95,378)
Share in net unrealized mark-to-market gains on FVOCI investments of associates (Note 10)	**114,527**	–	–
Share in net unrealized mark-to-market losses on AFS investments of associates (Note 10)	**–**	(3,229,609)	(3,938,424)
Retained earnings (Notes 10 and 24)			
Appropriated	**4,200,000**	1,622,000	2,717,000
Unappropriated	**148,541,910**	135,288,145	120,077,394
Treasury stock at cost (Note 23)	**(565,246)**	(521,132)	(521,132)
	174,705,140	154,698,419	139,962,243
Non-controlling Interests	**42,558,391**	37,572,509	33,700,381
Total Equity	**217,263,531**	192,270,928	173,662,624
TOTAL LIABILITIES AND EQUITY	**₱554,588,234**	₱491,931,697	₱465,994,925

See accompanying Notes to Consolidated Financial Statements.

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Earnings Per Share Amounts)

	Years Ended December 31		
	2018	2017	2016
REVENUES			
Sale of:			
Power (Note 25)	**₱130,734,557**	₱118,759,149	₱88,585,890
Goods	**47,751,035**	23,819,250	21,848,393
Real estate (Notes 14 and 25)	**3,925,308**	3,613,388	2,440,854
Fair value of swine (Note 8)	**2,501,841**	2,410,542	1,854,053
Service fees (Note 39)	**1,883,506**	1,620,401	1,453,336
Others (Note 34)	**146,573**	198,875	232,554
	186,942,820	150,421,605	116,415,080
COSTS AND EXPENSES			
Cost of generated and purchased power (Notes 26, 27, 34 and 39)	**71,680,298**	63,949,850	46,226,259
Cost of goods sold (Notes 6 and 27)	**43,693,907**	21,700,262	18,886,189
Operating expenses (Notes 27, 34, 38 and 39)	**30,398,694**	26,255,915	21,187,182
Cost of real estate sales (Note 6)	**1,871,385**	1,825,570	1,084,740
Overhead expenses (Note 27)	**136,593**	113,864	109,671
	147,780,877	113,845,461	87,494,041
OPERATING PROFIT	**39,161,943**	36,576,144	28,921,039
Share in net earnings of associates and joint ventures (Note 10)	**7,727,663**	9,053,733	9,651,787
Interest income (Notes 4, 34 and 35)	**1,476,151**	1,375,695	1,436,933
Interest expense (Notes 22 and 35)	**(14,638,588)**	(13,117,362)	(9,567,997)
Other income (expense) - net (Notes 5, 29 and 34)	**1,410,826**	(26,134)	2,501,026
INCOME BEFORE INCOME TAX	**35,137,995**	33,862,076	32,942,788
PROVISION FOR INCOME TAX (Note 31)	**3,899,198**	4,583,055	4,289,663
NET INCOME	**₱31,238,797**	₱29,279,021	₱28,653,125
ATTRIBUTABLE TO:			
Equity holders of the parent	**₱22,232,977**	₱21,608,695	₱22,473,458
Non-controlling interests	**9,005,820**	7,670,326	6,179,667
	₱31,238,797	₱29,279,021	₱28,653,125
EARNINGS PER SHARE (Note 32)			
Basic and diluted, for net income for the year attributable to ordinary equity holders of the parent	**₱3.947**	₱3.836	₱4.017

See accompanying Notes to Consolidated Financial Statements.

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	Years Ended December 31		
	2018	2017	2016
NET INCOME ATTRIBUTABLE TO:			
Equity holders of the parent	**₱22,232,977**	₱21,608,695	₱22,473,458
Non-controlling interests	**9,005,820**	7,670,326	6,179,667
	31,238,797	29,279,021	28,653,125
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified to consolidated statements of income:			
Movement in cumulative translation adjustments, net of tax	**639,746**	199,556	(203,067)
Share in movement in cumulative translation adjustments of associates and joint ventures (Note 10)	**464,139**	(16,305)	128,173
Share in movement in net unrealized mark-to-market gains (losses) on FVOCI investments of associates (Note 10)	**14,295**	–	–
Movement in net unrealized mark-to-market losses on FVOCI investments	**(17,136)**	–	–
Movement in net unrealized mark-to-market losses on AFS investments	**–**	(2,413)	(5,848)
Share in movement in net unrealized mark-to-market gains (losses) on AFS investments of associates (Note 10)	**–**	702,564	(189,693)
	1,101,044	883,402	(270,435)
Items that will not be reclassified to consolidated statements of income:			
Share in movement in actuarial losses on defined benefit plans of associates and joint ventures, net of tax	**112,229**	(22,788)	(178,244)
Movement in actuarial gains (losses) on defined benefit plans, net of tax	**(10,633)**	126,137	12,076
	101,596	103,349	(166,168)
TOTAL COMPREHENSIVE INCOME	**₱32,441,437**	₱30,265,772	₱28,216,522
ATTRIBUTABLE TO:			
Equity holders of the parent	**₱23,247,913**	₱22,562,144	₱22,068,509
Non-controlling interests	**9,193,524**	7,703,628	6,148,013
	₱32,441,437	₱30,265,772	₱28,216,522

See accompanying Notes to Consolidated Financial Statements.

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

(Amounts in Thousands, Except Dividends Per Share Amounts)

	Attributable to equity holders of the parent																		
														Retained Earnings					
	Capital Stock: Common (Note 23)	Additional Paid-in Capital (Note 23)	Gain on Dilution (Note 2)	Excess of Book Value Over Acquisition Cost of an Acquired Subsidiary (Note 9)	Acquisition of Non-controlling Interest (Note 2)	Net Unrealized Mark-to-Market Gains on AFS Investments	Cumulative Translation Adjustment (Note 36)	Actuarial Losses on Defined Benefit Plans, net of tax (Note 30)	Share in Actuarial Losses on Defined Benefit Plans of Associates and Joint Ventures (Note 10)	Share in Cumulative Translation Adjustments of Associates and Joint Ventures (Note 10)	Share in Net Unrealized Mark-to-Market Losses on AFS Investments of Associates (Note 10)	Net Unrealized Mark-to-Market Gains (Losses) on Investments in Financial Assets at FVOCI	Share in Net Unrealized Mark-to-Market Gains (Losses) on Investments in Financial Assets at FVOCI of Associates	Appropriated (Note 24)	Unappropriated (Note 24)	Treasury Stock (Note 23)	Total	Non-controlling Interest	Total
Balances at January 1, 2018, as previously reported	₱5,694,600	₱13,013,197	₱5,043,152	₱469,540	(₱1,577,075)	₱17,280	₱189,465	(₱666,132)	(₱537,099)	(₱107,913)	(₱3,229,609)	₱–	₱–	₱1,622,000	₱135,600,929	(₱521,132)	₱155,011,203	₱37,572,509	₱192,583,712
Effects of adoption of new accounting standards (Notes 2 and 3)	–			-		(17,280)	-	-	-	–	3,229,609	(798)	95,077		810,043		4,116,651		4,116,651
Share in restatement of an associate (Note 10)	–			-		–	-	-	-	–		–	–		(312,784)	–	(312,784)		(312,784)
Balances at January 1, 2018, as restated	5,694,600	13,013,197	5,043,152	469,540	(1,577,075)	–	189,465	(666,132)	(537,099)	(107,913)		(798)	95,077	1,622,000	136,098,188	(521,132)	158,815,070	37,572,509	196,387,579
Net income for the year	–			-		–	-	-	-	–		–	–		22,232,977	–	22,232,977	9,005,820	31,238,797
Other comprehensive income																			
Movement in net unrealized mark-to-market losses on Investments in Financial Assets at FVOCI	–			-		–	-	-	-	–		941	–		–	–	941	(18,077)	(17,136)
Movement in cumulative translation adjustments	–			-		–	544,939	-	-	–		–	–		–	–	544,939	94,807	639,746
Actuarial gains on defined benefit plans, net of tax	–			-		–	-	(10,633)	-	–		–	–		–	–	(10,633)		(10,633)
Share in movement in actuarial losses on defined benefit plan of associates and joint ventures	–			-		–	-	-	102,031	–		–	–		–	–	102,031	10,198	112,229
Share in cumulative translation adjustment of associates and joint ventures	–			-		–	-	-	-	358,208		–	–		–	–	358,208	105,931	464,139
Share in movement in net unrealized mark-to-market losses on Investments in Financial Assets at FVOCI of associates	–			-		–	-	-	-	–		–	19,450		–	–	19,450	(5,155)	14,295
Total comprehensive income (loss) for the year	–			-		–	544,939	(10,633)	102,031	358,208		941	19,450		22,232,977	–	23,247,913	9,193,524	32,441,437
Cash dividends - ₱1.28 per share (Note 24)	–			-		–	-	-	-	–		–	–		(7,211,255)	–	(7,211,255)		(7,211,255)
Acquisition of treasury shares	–			-		–	-	-	-	–		–	–		–	(44,114)	(44,114)		(44,114)
Reversal of appropriation	–			-		–	-	-	-	–		–	–	(1,622,000)	1,622,000	–			–
Appropriation during the year	–			-		–	-	-	-	–		–	–	4,200,000	(4,200,000)	–			–
Cash dividends paid to non-controlling interests	–			-		–	-	-	-	–		–	–		–	–		(5,831,777)	(5,831,777)
Acquisition of non-controlling interests	–			-	(102,474)	–	-	-	-	–		–	–		–	–	(102,474)	246	(102,228)
Changes in non-controlling interests	–			-		–	-	-	-	–		–	–		–	–		1,623,889	1,623,889
Balances at December 31, 2018, as restated	₱5,694,600	₱13,013,197	₱5,043,152	₱469,540	(₱1,679,549)	₱–	₱734,404	(₱676,765)	(₱435,068)	₱250,295	₱	₱143	₱114,527	₱4,200,000	₱148,541,910	(₱565,246)	₱174,705,140	₱42,558,391	₱217,263,531

	Capital Stock: Common (Note 23)	Additional Paid-in Capital (Note 23)	Gain on Dilution (Note 2)	Excess of Book Value Over Acquisition Cost of an Acquired Subsidiary (Note 9)	Acquisiion of Non-controlling Interest (Note 2)	Net Unrealized Mark-to-Market Gains on AFS Investments	Cumulative Translation Adjustment (Note 36)	Actuarial Losses on Defined Benefit Plans, net of tax (Note 30)	Share in Actuarial Losses on Defined Benefit Plans of Associates and Joint Ventures (Note 10)	Share in Cumulative Translation Adjustments of Associates and Joint Ventures (Note 10)	Share in Net Unrealized Mark to-Market Losses on AFS Investments of Associates (Note 10)	Retained Earnings: Appropriated (Note 24)	Retained Earnings: Unappropriated (Note 24)	Treasury Stock (Note 23)	Total	Non-controlling Interest (As Restated; Note 9)	Total
Balances at January 1, 2017, as previously reported	₱5,694,600	₱13,013,197	₱5,376,176	₱469,540	(₱1,577,075)	₱9,106	₱34,262	(₱783,891)	(₱513,132)	(₱95,378)	(₱3,938,424)	₱2,717,000	₱120,390,178	(₱521,132)	₱140,275,027	₱33,700,381	₱173,975,408
Share in restatement of an associate (Note 10)	-	–		-	–		-		-	–	–	-	(312,784)	–	(312,784)	–	(312,784)
Balances at January 1, 2017, as restated	5,694,600	13,013,197	5,376,176	469,540	(1,577,075)	9,106	34,262	(783,891)	(513,132)	(95,378)	(3,938,424)	2,717,000	120,077,394	(521,132)	139,962,243	33,700,381	173,662,624
Net income for the year	-	–		-	–		-		-	–	–	-	21,608,695	–	21,608,695	7,670,326	29,279,021
Other comprehensive income																	
Movement in net unrealized mark-to-market losses on AFS investments	-	–		-	–	8,174	-		-	–	–	-	–	–	8,174	(10,587)	(2,413)
Movement in cumulative translation adjustments	-	–		-	–		155,203		-	–	–	-	–	–	155,203	44,353	199,556
Actuarial gains on defined benefit plans, net of tax	-	–		-	–		-	117,759	-	–	–	-	–	–	117,759	–	117,759
Share in movement in actuarial losses on defined benefit plan of associates and joint ventures	-	–		-	–		-		(23,967)	–	–	-	–	–	(23,967)	1,179	(22,788)
Share in cumulative translation adjustment of associates and joint ventures	-	–		-	–		-		-	(12,535)	–	-	–	–	(12,535)	(3,770)	(16,305)
Share in movement in unrealized mark-to-market losses on AFS investments of associates	-	–		-	–		-		-	-	708,815	-	–	–	708,815	2,127	710,942
Total comprehensive income (loss) for the year	-	–		-	–	8,174	155,203	117,759	(23,967)	(12,535)	708,815	-	21,608,695	–	22,562,144	7,703,628	30,265,772
Gain on dilution	-	–	(333,024)	-	–		-		-	–	–	-	–	–	(333,024)	–	(333,024)
Cash dividends - ₱1.33 per share (Note 24)	-	–		-	–		-		-	–	–	-	(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, as restated	₱5,694,600	₱13,013,197	₱5,043,152	₱469,540	(₱1,577,075)	₱17,280	₱189,465	(₱666,132)	(₱537,099)	(₱107,913)	(₱3,229,609)	₱1,622,000	₱135,288,145	(₱521,132)	₱154,698,419	₱37,572,509	₱192,270,928

	Capital Stock: Common (Note 23)	Additional Paid-in Capital (Note 23)	Gain on Dilution (Note 2)	Excess of Book Value Over Acquisition Cost of an Acquired Subsidiary (Note 9)	Acquisition of Non-controlling Interest (Note 2)	Net Unrealized Mark-to-Market Gains on AFS Investments	Cumulative Translation Adjustment (Note 36)	Actuarial Losses on Defined Benefit Plans, net of tax (Note 30)	Share in Actuarial Losses on Defined Benefit Plans of Associates and Joint Ventures (Note 10)	Share in Cumulative Translation Adjustments of Associates and Joint Ventures (Note 10)	Share in Net Unrealized Mark to-Market Losses on AFS Investments of Associates (Note 10)	Retained Earnings: Appropriated (Note 24)	Retained Earnings: Unappropriated (Note 24)	Treasury Stock (Note 23)	Total	Non-controlling Interest (As Restated; Note 9)	Total
	Attributable to equity holders of the parent																
Balances at January 1, 2016, as previously reported	₱5,694,600	₱7,683,568	₱5,376,176	₱469,540	(₱1,577,075)	₱14,188	₱176,379	(₱795,967)	(₱334,456)	(₱193,921)	(₱3,748,731)	₱–	₱106,521,242	(₱1,065,585)	118,219,958	₱28,764,484	₱146,984,442
Share in restatement of an associate (Note 10)	–	-		–	–			–		-	–	–	(312,784)	–	(312,784)	–	(312,784)
Balances at January 1, 2016, as restated	5,694,600	7,683,568	5,376,176	469,540	(1,577,075)	14,188	176,379	(795,967)	(334,456)	(193,921)	(3,748,731)	–	106,208,458	(1,065,585)	117,907,174	28,764,484	146,671,658
Net income for the year	–	-		–	–			–		-	–	–	22,473,458	–	22,473,458	6,179,667	28,653,125
Other comprehensive income																	
Movement in net unrealized mark-to-market losses on AFS investments	–	-		–	–	(5,082)		–		-	–	–	–	–	(5,082)	(766)	(5,848)
Movement in cumulative translation adjustments	–	-		–	–		(142,117)	–		-	–	–	–	–	(142,117)	(60,950)	(203,067)
Actuarial gains on defined benefit plans, net of tax	–	-		–	–			12,076		-	–	–	–	–	12,076	–	12,076
Share in movement in actuarial losses on defined benefit plan of associates and joint ventures	–	-		–	–			–	(178,676)	-	–	–	–	–	(178,676)	432	(178,244)
Share in cumulative translation adjustment of associates and joint ventures	–	-		–	–			–		98,543	–	–	–	–	98,543	29,630	128,173
Share in movement in unrealized mark-to-market losses on AFS investments of associates	–	-		–	–			–		-	(189,693)	–	–	–	(189,693)	–	(189,693)
Total comprehensive income (loss) for the year	–	-		–	–	(5,082)	(142,117)	12,076	(178,676)	98,543	(189,693)	–	22,473,458	–	22,068,509	6,148,013	28,216,522
Cash dividends - ₱1.06 per share (Note 24)	–	-		–	–			–		-	–	–	(5,887,522)	–	(5,887,522)	–	(5,887,522)
Appropriation during the year	–	-		–	–			–		-	–	2,717,000	(2,717,000)	–		–	–
Cash dividends paid to non-controlling interests	–	-		–	–			–		-	–	–	–	–		(4,456,950)	(4,456,950)
Sale of treasury shares	–	5,329,629		–	–			–		-	–	–	–	544,453	5,874,082	–	5,874,082
Acquisition of a subsidiary (Note 9)	–	-		–	–			–		-	–	–	–	–		3,164,230	3,164,230
Changes in non-controlling interests	–	-		–	–			–		-	–	–	–	–		80,604	80,604
Balances at December 31, 2016, as restated	₱5,694,600	₱13,013,197	₱5,376,176	₱469,540	(₱1,577,075)	₱9,106	₱34,262	(₱783,891)	(₱513,132)	(₱95,378)	(₱3,938,424)	₱2,717,000	₱120,077,394	(₱521,132)	139,962,243	₱33,700,381	₱173,662,624

See accompanying Notes to Consolidated Financial Statements.

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Years Ended December 31		
	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱35,137,995**	₱33,862,076	₱32,942,788
Adjustments for:			
Interest expense (Note 35)	**14,638,588**	13,117,362	9,567,997
Depreciation and amortization (Note 27)	**9,818,432**	8,455,978	6,829,395
Net unrealized foreign exchange losses	**1,319,008**	746,648	1,532,081
Impairment loss on property, plant and equipment, goodwill and other assets (Notes 2, 12 and 13)	**847,620**	3,191,786	320,328
Write-off / provision for decline in value of project costs	**179,225**	143,613	221,969
Loss (gain) on sale of:			
Property, plant and equipment (Note 13)	**292,194**	52,164	(50,125)
FVTPL, FVOCI and Held-to-collect (HTC) investments (Note 3)	**8,830**	–	–
Investment in a subsidiary (Note 9)	**(165,876)**	–	–
AFS investments (Note 3)	**–**	(1,549)	(25,105)
Unrealized mark-to-market losses (gains) on derivatives	**196,096**	(367,868)	3,316
Unrealized mark-to-market losses on FVTPL investments	**13,518**	–	–
Dividend income (Note 29)	**(19,060)**	(5,946)	(250)
Net unrealized valuation gains on investment property (Notes 14 and 29)	**(511,820)**	(862,219)	(166,476)
Interest income (Note 35)	**(1,476,151)**	(1,375,695)	(1,436,933)
Share in net earnings of associates and joint ventures (Note 10)	**(7,727,663)**	(9,053,733)	(9,651,787)
Gain on redemption of shares	**–**	–	(16,051)
Unrealized excess of fair value over historical acquisition cost (Notes 9 and 29)	**–**	(392,340)	(350,939)
Operating income before working capital changes	**52,550,936**	47,510,277	39,720,208
Decrease (increase) in:			
Trade and other receivables	**(5,046,239)**	(4,444,457)	(894,679)
Inventories	**(2,404,398)**	(1,565,400)	(810,917)
Land and improvements	**(387,780)**	(444,907)	(438,962)
Pension asset	**–**	(82,030)	–
Other current assets	**(3,764,697)**	(2,426,441)	(1,559,481)
Increase (decrease) in:			
Trade and other payables (Note 9)	**1,840,197**	(1,235,398)	(24,234)
Pension liability	**(12,940)**	(98,406)	(59,559)
Customers' deposits	**(86,326)**	(708,720)	510,517
Net cash generated from operations	**42,688,753**	36,504,518	36,442,893
Income and final taxes paid	**(4,271,404)**	(4,267,206)	(4,868,433)
Net cash flows from operating activities	**38,417,349**	32,237,312	31,574,460
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash dividends received (Note 10)	**5,355,297**	6,060,299	8,608,988
Interest received	**1,618,973**	1,480,887	1,472,936
Proceeds from sale of:			
FVTPL, FVOCI and HTC investments (Note 3)	**156,062**	–	–
Property, plant and equipment	**35,694**	414,606	168,381
AFS investments	**–**	26,731	37,155

(Forward)

	Years Ended December 31		
	2018	2017	2016
Acquisition through business combination, net of cash acquired (Note 9)	**(₱16,211,727)**	₱747,150	(₱44,572,591)
Disposal of a subsidiary, net of cash disposed (Note 9)	**296,441**	–	–
Additions to:			
FVTPL, FVOCI and HTC investments (Note 3)	**(276,062)**	–	–
Property, plant and equipment and investment properties (Notes 13 and 14)	**(10,687,679)**	(18,317,445)	(31,024,798)
Investments in and advances to associates (Note 10)	**(7,873,129)**	(1,766,819)	(12,408,168)
AFS investments	**–**	(417,987)	(213,931)
Increase in intangible asset - service concession rights (Note 15)	**(774,441)**	(131,502)	(45,875)
Decrease (increase) in other noncurrent assets	**(2,401,684)**	599,306	(6,303,485)
Proceeds from sale of common shares and redemption of preferred shares of associates and joint ventures (Note 10)	**–**	–	51,976
Net cash flows used in investing activities	**(30,762,255)**	(11,304,774)	(84,229,412)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of long-term debts - net of transaction costs (Note 19)	**39,157,476**	43,968,605	74,674,514
Net proceeds from (settlements of) bank loans	**1,054,387**	15,424,292	(625,532)
Proceeds from issuance (acquisition) of treasury shares (Note 23)	**(44,114)**	–	5,874,083
Acquisition of non-controlling interests (Note 2)	**(220,200)**	–	–
Cash dividends paid and other changes to non-controlling interest	**(5,831,777)**	(3,077,223)	(4,434,075)
Cash dividends paid to equity holders of the parent (Note 24)	**(7,211,254)**	(7,492,944)	(5,887,523)
Interest paid	**(10,935,378)**	(8,858,875)	(5,002,512)
Payments of:			
Long-term debts (Note 19)	**(21,388,035)**	(51,545,504)	(4,232,593)
Finance lease obligations (Note 21)	**(7,804,460)**	(7,877,292)	(7,517,917)
Net cash flows from (used in) financing activities	**(13,223,355)**	(19,458,941)	52,848,445
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(5,568,261)**	1,473,597	193,493
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(268,924)**	(460,911)	82,151
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**64,870,214**	63,857,528	63,581,884
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱59,033,029**	₱64,870,214	₱63,857,528

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Thousands, Except Par Value, Earnings Per Share, Number of Shares, and When Otherwise Indicated)

1. Corporate Information

Aboitiz Equity Ventures, Inc. (the Company) was originally incorporated in the Philippines as Cebu Pan Asian Holdings, Inc. and registered with the Philippine Securities and Exchange Commission (SEC) on September 11, 1989. The Company changed its corporate name to the present one on December 29, 1993 and its ownership was opened to the general public through an initial public offering of its shares on November 16, 1994 (see Note 23).

The Company and its subsidiaries (collectively referred to as the "Group") are engaged in various business activities mainly in the Philippines, including power generation, retail electricity supply and power distribution, food manufacturing, banking and financial services, real estate development, and infrastructure (see Note 33). The Company is the publicly-listed holding and management company of the Group. The parent and the ultimate parent of the Company is Aboitiz & Company, Inc. (ACO).

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

The consolidated financial statements of the Group were approved and authorized for issue in accordance with a resolution by the Board of Directors (BOD) of the Company on March 7, 2019.

2. Basis of Preparation, Statement of Compliance and Summary of Significant Accounting Policies

Basis of Preparation

The accompanying consolidated financial statements of the Group have been prepared on a historical cost basis, except for derivative financial instruments, investments in certain debt and equity securities, and investment properties which are measured at fair value, and agricultural produce and biological assets which are measured at fair value less estimated costs to sell. The consolidated financial statements are presented in Philippine peso, which is the Company's functional currency, and all values are rounded to the nearest thousands, except for earnings per share and exchange rates and as otherwise indicated.

Statement of Compliance

The consolidated financial statements of the Group are prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except for 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 revised 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 Philippine Accounting Standard (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 has adopted this new standard without restating comparative information.

  As of January 1, 2018, the Group has reviewed and assessed all of its existing financial instruments. The table below illustrates the classification and measurement of financial instruments under PFRS 9 and PAS 39 at the date of initial application.

  The measurement category and the carrying amount of financial instruments in accordance with PAS 39 and PFRS 9 as of January 1, 2018 are compared as follows:

Financial Assets	**Original Measurement Category Under PAS 39**	**Original Carrying Amount Under PAS 39**	**New Measurement Category Under PFRS 9**	**New Carrying Amount Under PFRS 9**
Cash on hand and in banks	Loans and receivables	₱13,080,148	Financial assets at amortized cost	₱13,080,148
Cash equivalents	Loans and receivables	51,790,066	Financial assets at amortized cost	51,790,066
Investment in equity securities not held for trading	AFS investments	480,059	Financial assets at fair value through profit or loss (FVTPL)	480,059
Investment in debt securities not held for trading	AFS investments	292,735	Debt investments at amortized cost	292,735
Investment in debt securities not held for trading	HTM investments	189,216	Debt investments at amortized cost	189,216
Trade and other receivables				
Trade receivables	Loans and receivables	23,249,908	Debt instruments at amortized cost	23,122,774
Other receivables	Loans and receivables	1,523,802	Debt instruments at amortized cost	1,523,802
Derivative assets	Financial assets at fair value through profit or loss (FVPL)	341,941	Financial assets at FVTPL	341,941
Restricted cash	Loans and receivables	2,642,327	Financial assets at amortized cost	2,642,327

  As of December 31, 2018 and 2017, the Group does not hold financial liabilities designated at fair value through profit or loss.

The following table reconciles the carrying amounts of financial assets, from their previous measurement category in accordance with PAS 39 to their new measurement categories upon transition to PFRS 9 on January 1, 2018, and prior period's closing impairment allowance measured in accordance with PAS 39 and the provisions in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, to the opening impairment allowance determined in accordance with PFRS 9 as of January 1, 2018:

	PAS 39 measurement		Reclassification	Remeasurement		PFRS 9
Financial assets	Category	Amount		ECL	Amount	Category
Cash and cash equivalents	L&R[1]	₱64,870,214	₱64,870,214	₱–	₱64,870,214	AC[2]
Trade and other receivables	L&R	24,773,710	24,773,710	(127,134)	24,646,576	AC
Restricted cash	L&R	2,642,327	2,642,327	–	2,642,327	AC
	L&R	₱92,286,251	₱92,286,251	(₱127,134)	₱92,159,117	AC
Financial investments - AFS		₱772,794	(₱772,794)	₱–	N/A	
To: *FVTPL*			(480,059)			
To: *Debt investments at amortized cost*			(292,735)			
	AFS	₱772,794	(₱772,794)	₱–	N/A	
Derivative assets	FVPL	₱341,941	₱341,941	₱–	₱341,941	FVTPL
Financial assets at fair value through profit or loss	FVPL	–	480,059	–	480,059	FVTPL
From: *Financial investments - AFS*		–	480,059	–		
	AFS	341,941	822,000	–	822,000	FVTPL
Debt instruments - HTM		₱189,216	(₱189,216)	₱–	N/A	
To: Debt investments at amortized cost			(189,216)			
	HTM	189,216	(189,216)	–	N/A	
Debt investments at amortized cost		N/A	₱481,951	₱–	₱481,951	AC
From: *Financial investments - AFS*			292,735		292,735	
From: *Debt instruments - HTM*			189,216		189,216	
		N/A	481,951	–	481,951	AC

[1]L&R: Loans and receivables
[2]AC: Amortized cost

The Group does not have financial assets and financial liabilities which had previously been designated FVPL to reduce an accounting mismatch in accordance with PAS 39 which had been reclassified to amortized cost or fair value through other comprehensive income (FVOCI) upon transition to PFRS 9.

Under PFRS 9, the level of provision for credit and impairment losses has generally increased due to the incorporation of a more forward-looking approach in determining provisions. Further, since the implementation of PFRS 9, all financial assets except those measured at FVTPL and equity instruments at FVOCI are assessed for at least 12-month expected credit loss (ECL) and the population of financial assets to which the lifetime ECL applies is larger than the population for which there is objective evidence of impairment in accordance with PAS 39.

The new hedge accounting model under PFRS 9 aims to simplify hedge accounting, align the accounting for hedge relationships more closely with an entity's risk management activities and permit hedge accounting to be applied more broadly to a greater variety of hedging instruments and risks eligible for hedge accounting.

We determined that all existing hedge relationships that are currently designated in effective hedging relationships will continue to qualify for hedge accounting under PFRS 9. As PFRS 9 does not change the general principles of how an entity accounts for effective hedges, applying the hedging requirements of PFRS 9 did not have a significant impact on the consolidated financial statements.

The effects of adoption on consolidated financial statements are as follows:

	As at January 1, 2018
Increase (decrease) in consolidated balance sheets:	
Trade and other receivables	(₱127,134)
AFS investments	(772,794)
Financial assets at FVTPL	480,059
HTM investments	(189,216)
Debt investments at amortized cost	481,951
Investments and advances (see Note 10)	4,248,654
Deferred income tax assets	22,508
Total Assets	₱4,144,028
Deferred income tax liabilities	(₱3,573)
Net unrealized mark-to-market gain on AFS investments	3,306,608
Retained earnings	857,957
Non-controlling interests	(16,964)
Total Liabilities and Equity	₱4,144,028

- 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 contracts that were not completed at the date of initial recognition.

Except for the Real Estate Group, the adoption of PFRS 15 has no significant impact on the operating performance and financial condition of the rest of the Group.

Real Estate Segment

On February 14, 2018, the Philippines Interpretation Committee (PIC) issued PIC Q&A 2018-12 (PIC &A) which provides guidance on some implementation issues of PFRS 15 affecting real estate industry. On October 25, 2018 and February 7, 2019, the Philippine Securities and Exchange Commission (SEC) issued SEC Memorandum Circular Nos. 14-2018 and 3-2019, respectively, providing relief to the real estate industry by deferring the application of the following provisions of PIC Q&A Nos. 2018-12 and 2018-14 for a period of 3 years:

- Exclusion of land and uninstalled materials in the determination of percentage of completion (POC) discussed in PIC Q&A No. 2018-12-E;
- Accounting for significant financing component discussed in PIC Q&A No. 2018-12-D;
- Accounting to Common Usage Service Area (CUSA) charges discussed in PIC Q&A No. 2018-12-H; and,
- Accounting for Cancellation of Real Estate Sales discussed in PIC Q&A No. 2018-14

This deferral will only be applicable for real estate sales transactions. Effective January 1, 2021, real estate companies will adopt PIC Q&A Nos. 2018-12 and 2018-14 and any subsequent amendments thereof retrospectively or as the SEC will later prescribe.

The Real Estate Group availed of the deferral of the accounting for significant financing component and cancellation of real estate sales as provided in PIC Q&A Nos. 2018-12 and 2018-14, respectively. Had these provisions been adopted, it would have the following impact to the consolidated financial statements:

a. The mismatch between the POC of the real estate projects and right to an amount of consideration based on the schedule of payments explicit in the contract would constitute a significant financing component. Interest income is recognized for contract assets and interest expense for contract liabilities using the effective interest rate method which would have an impact on retained earnings as at January 1, 2018 and the real estate sales in 2018; and
b. The repossessed real estate inventory would be recorded at fair value plus cost to repossess (or fair value less cost to repossess if this would have been opted). This would have increased retained earnings as at January 1, 2018 and gain from repossession in 2018.

Consistent with the chosen approach of the AEV Group, Real Estate Group applied the modified retrospective method only to those contracts that are not completed as at January 1, 2018.

The cumulative impact of the changes made, excluding the impact of significant financing component and cancellation of real estate sales, to the Group's consolidated balance sheet for the adoption of PFRS 15 is as follows:

	As at January 1, 2018
Increase (decrease) in consolidated balance sheet:	
Trade and other receivables	(₱2,827,104)
Contract assets	3,047,305
Inventories	188,010
Trade receivables - net of current portion	(350,249)
Total Assets	₱57,962
Trade and other payables	₱109,855
Contract liabilities	36,649
Customers' deposits	(36,649)
Retained Earnings	(47,914)
Non-controlling interests	(3,979)
Total Liabilities and Equity	₱57,962

The nature of the adjustments causing significant changes in some line items of the consolidated balance sheet as at January 1, 2018 and December 31, 2018, and the consolidated statement of income for the year ended December 31, 2018 are described below:

- *Sale of Real Estate.* The Real Estate Group determines the overall POC for revenue recognition purposes by adding all weighted POC specific to each construction activity. The weighted POC for each activity is arrived at by multiplying the relative weight of each activity to its POC determined on the basis of the estimated completion of physical proportion of the contract work.

  Under PFRS 15, the cost of the lot should be excluded for purposes of determining the POC since the cost to procure the lot is not proportionate to the Real Estate Group's progress in satisfying the performance obligation.

  As a result, the consolidated balance sheet as at January 1, 2018 was restated resulting to a decrease in retained earnings and trade and other receivables by ₱43.7 million and ₱130 million, respectively, and increase in real estate inventories by ₱86.4 million. As at and for the year ended December 31, 2018, the impact of excluding the cost of the lot in determining POC is impracticable to determine. This is considering that upon adoption of PFRS 15 in January 2018, the Real Estate Group has already excluded the cost of the lot in the computation for POC, and thus, has stopped monitoring the financial impact on the difference in the manner of POC computation.

- *Amounts Billed for Work Performed/Amount Billed in Advance for Construction Work.* PFRS 15 requires to present separately the contract asset (right to consideration in exchange for goods or services that has transferred), contract liability (obligation to transfer goods or services to a customer for which the entity has received consideration) and receivable (right to consideration is unconditional).

In the case of contracts wherein the recognized real estate sales determined based on POC exceed the amount billed, the difference shall be presented as “Contract Assets”. In cases wherein the recognized sales based on POC are lower than the amount billed, the difference shall be presented as “Contract Liabilities”.

As a result, the consolidated balance sheet as at January 1, 2018 was restated resulting to an increase in contract assets and contract liabilities by ₱3.0 billion and ₱36.6 million, respectively, and decrease in trade and other receivables, trade receivables - net of current portion and customers’ deposits by ₱2.8 billion, ₱350.2 million and ₱36.6 million, respectively. As at December 31, 2018, the contract assets and contract liabilities have increased by ₱758.6 million and ₱146.9 million, respectively, and the trade and other receivables, trade receivables-net of current portion and customers’ deposits in the consolidated balance sheet have decreased by ₱758.3 million, ₱0.3 million and ₱146.9 million, respectively.

- *Incremental Costs to Obtain Contracts.* The Real Estate Group incurs incremental sales commissions to obtain a contract with a customer that would not have been incurred if the contract had not been entered into. Under PAS 18, the Real Estate Group recognized sales commission as expense when incurred.

  Under PFRS 15, these are recognized as incremental costs of obtaining a contract and are capitalized as an asset if the costs are expected to be recoverable. The Real Estate Group concluded that these costs should be capitalized and amortized on a systematic basis that is consistent with the transfer of the related goods/services to the customer (i.e. POC). It also applied practical expediency wherein contract costs shall be immediately expensed when the asset that would have resulted from capitalizing such costs is to be amortized within one year or less.

  As a result, the consolidated balance sheet as at January 1, 2018 was restated resulting to a decrease in retained earnings by ₱8.2 million and increase in real estate inventories and trade and other payables by ₱101.6 million and ₱109.9 million, respectively. As at and for the period ended December 31, 2018, the commission expense recorded under cost of sales and the forfeitures under other income in the consolidated statement of income have decreased by ₱71.0 million and the real estate inventories and trade and other payables in the consolidated balance sheet have increased by ₱28.0 million and ₱11.0 million, respectively.

- 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.

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, *Investments in Associates and Joint Ventures, 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 an impact on its consolidated financial statements.

- Philippine Interpretation International Financial Reporting Interpretations Committee (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.

New Standards and Interpretations Issued and Effective after December 31, 2018
The Group will adopt the standards enumerated below when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRSs, PAS and Philippine Interpretations to have significant impact on its consolidated financial statements.

Effective January 1, 2019

- PFRS 16, *Leases*
  PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

  Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

The Group plans to adopt PFRS 16 on the required effective date using the modified retrospective method. The Group will elect to apply the standard to contracts that were previously identified as leases applying PAS 17. The Group will therefore not apply the standard to contracts that were not previously identified as containing a lease applying PAS 17.

The Group will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

In 2018, the Group performed a preliminary impact assessment of PFRS 16. Based on the initial assessment, the standard may have an impact on the Group's consolidated balance sheets, statements of income, statements of comprehensive income and statements of cash flows.

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
  The amendments to PFRS 9 allow debt instruments with negative compensation prepayment features to be measured at amortized cost or fair value through other comprehensive income. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

  The Group expects that adoption of these amendments will not have any impact on its consolidated financial statements.

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*
  The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

  - Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event
  - Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

  The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements upon adoption.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
  The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28.

  Since the Group does not have such long-term interests in its associates and joint venture to which equity method is not applied, the amendments will not have an impact on its consolidated financial statements.

- Philippine Interpretation IFRIC 23, *Uncertainty over Income Tax Treatments*
  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

  The interpretation specifically addresses the following:
  - Whether an entity considers uncertain tax treatments separately
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  - How an entity considers changes in facts and circumstances

  An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

  The Group is currently assessing the impact of adopting this interpretation.

- *Annual Improvements to PFRSs* 2015-2017 Cycle

  - Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements*, *Previously Held Interest in a Joint Operation*
    The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments are currently not applicable to the Group but may apply to future transactions.

- Amendments to PAS 12, *Income Taxes, Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

  The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

  An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted. These amendments are not relevant to the Group because dividends declared by the Group do not give rise to tax obligations under the current tax laws.

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

  The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

  An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

  Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements upon adoption.

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*

  The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

These amendments will apply on future business combinations of the Group.

- Amendments to PAS 1, *Presentation of Financial Statements, and PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:
  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements,* and PAS 28*, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and the following subsidiaries as at December 31 of each year:

	Nature of Business	Place of Incorporation	Percentage of Ownership 2018 Direct	2018 Indirect	2017 Direct	2017 Indirect
Aboitiz Power Corporation (AP) and Subsidiaries	Power	Philippines	**76.98%**	**–%**	76.88%	–%
Aboitiz Energy Solutions, Inc. (AESI)	Power	Philippines	**–**	**100.00**	–	100.00
Balamban Enerzone Corporation (BEZ)	Power	Philippines	**–**	**100.00**	–	100.00
Mactan Enerzone Corporation (MEZ)	Power	Philippines	**–**	**100.00**	–	100.00
Malvar Enerzone Corporation (MVEZ) *(A)*	Power	Philippines	**–**	**100.00**	–	100.00
East Asia Utilities Corporation (EAUC)	Power	Philippines	**–**	**100.00**	–	100.00
Lima Enerzone Corporation (LEZ)	Power	Philippines	**–**	**100.00**	–	100.00
Subic Enerzone Corporation (SEZ)	Power	Philippines	**–**	**100.00**	–	100.00
Cotabato Light & Power Co., Inc. (CLP)	Power	Philippines	**–**	**99.94**	–	99.94
Cotabato Ice Plant, Inc.	Manufacturing	Philippines	**–**	**100.00**	–	100.00
Davao Light & Power Co., Inc. (DLP)	Power	Philippines	**–**	**99.93**	–	99.93
Maaraw Holdings San Carlos, Inc. (MHSCI, see Note 9)	Holding	Philippines	**–**	**100.00**	–	100.00
San Carlos Sun Power, Inc. (Sacasun, see Note 9)	Power	Philippines	**–**	**100.00**	–	100.00
AboitizPower International B.V. (formerly Sunedison Philippines Helios B.V.) (see Note 9)	Holding	Netherlands	**–**	**100.00**	–	100.00
Visayan Electric Co., Inc. (VECO)	Power	Philippines	**–**	**55.26**	–	55.26
Aboitiz Renewables Inc. (ARI) and Subsidiaries	Power	Philippines	**–**	**100.00**	–	100.00
AP Renewables, Inc. (APRI)	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor, Inc. (HI)	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Mt. Province, Inc.*	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Benguet, Inc.*	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Bukidnon, Inc.*	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Kabayan, Inc.*	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Ifugao, Inc.*	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Kalinga, Inc. *	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Itogon, Inc.*	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Manolo Fortich, Inc.*	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Sabangan, Inc. (Hedcor Sabangan)	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Sibulan, Inc. (HSI)	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Tamugan, Inc. (HTI)*	Power	Philippines	**–**	**100.00**	–	100.00
Hedcor Tudaya, Inc. (Hedcor Tudaya)	Power	Philippines	**–**	**100.00**	–	100.00
Aboitiz Power Distributed Renewables, Inc.	Power	Philippines	**–**	**100.00**	–	100.00
AP Renewable Energy Corporation	Power	Philippines	**–**	**100.00**	–	100.00
Aboitiz Power Distributed Energy, Inc. *	Power	Philippines	**–**	**100.00**	–	100.00
Mt. Apo Geopower, Inc. *	Power	Philippines	**–**	**100.00**	–	100.00

(Forward)

	Nature of Business	Place of Incorporation	2018 Direct	2018 Indirect	2017 Direct	2017 Indirect
			Percentage of Ownership			
Cleanergy, Inc. (CI)*	Power	Philippines	**–%**	**100.00%**	–%	100.00%
Hydro Electric Development Corporation*	Power	Philippines	**–**	**99.97**	–	99.97
Luzon Hydro Corporation (LHC)	Power	Philippines	**–**	**100.00**	–	100.00
Bakun Power Line Corporation*	Power	Philippines	**–**	**100.00**	–	100.00
AP Solar Tiwi, Inc.*	Power	Philippines	**–**	**100.00**	–	100.00
Retensol, Inc. *	Power	Philippines	**–**	**100.00**	–	100.00
Aseagas Corporation (Aseagas)*	Power	Philippines	**–**	**100.00**	–	100.00
Cordillera Hydro Corporation (CHC)*	Power	Philippines	**–**	**100.00**	–	100.00
Negron Cuadrado Geopower, Inc. (NCGI)*	Power	Philippines	**–**	**100.00**	–	100.00
Tagoloan Hydro Corporation	Power	Philippines	**–**	**100.00**	–	100.00
Luzon Hydro Company Limited*	Power	Philippines	**–**	**100.00**	–	100.00
Therma Power, Inc. (TPI) and Subsidiaries	Power	Philippines	**–**	**100.00**	–	100.00
Mindanao Sustainable Solutions, Inc.*	Services	Philippines	**–**	**100.00**	–	100.00
Therma Luzon, Inc. (TLI)	Power	Philippines	**–**	**100.00**	–	100.00
Therma Marine, Inc. (Therma Marine)	Power	Philippines	**–**	**100.00**	–	100.00
Therma Mobile, Inc. (Therma Mobile)	Power	Philippines	**–**	**100.00**	–	100.00
Therma South, Inc. (TSI)	Power	Philippines	**–**	**100.00**	–	100.00
Therma Power-Visayas, Inc.*	Power	Philippines	**–**	**100.00**	–	100.00
Therma Central Visayas, Inc.*	Power	Philippines	**–**	**100.00**	–	100.00
Therma Subic, Inc.*	Power	Philippines	**–**	**100.00**	–	100.00
Therma Mariveles Holding Cooperatief U.A. *(B)*	Holding	Netherlands	**–**	**–**	–	100.00
Therma Mariveles B.V. *(B)*	Holding	Netherlands	**–**	**–**	–	100.00
Therma Mariveles Holdings, Inc.	Holding	Netherlands	**–**	**100.00**	–	100.00
GNPower Mariveles Coal Plant Ltd. Co. (GMCP)	Power	Philippines	**–**	**66.07**	–	66.07
Therma Dinginin Holding Cooperatief U.A.	Holding	Netherlands	**–**	**100.00**	–	100.00
Therma Dinginin B.V.	Holding	Netherlands	**–**	**100.00**	–	100.00
Therma Dinginin Holdings, Inc.	Holding	Philippines	**–**	**100.00**	–	100.00
Therma Visayas, Inc. (TVI)*	Power	Philippines	**–**	**80.00**	–	80.00
Abovant Holdings, Inc.	Holding	Philippines	**–**	**60.00**	–	60.00
AboitizPower International Pte. Ltd.	Holding	Singapore	**–**	**100.00**	–	100.00
Adventenergy, Inc. (AI)	Power	Philippines	**–**	**100.00**	–	100.00
Cebu Private Power Corporation (CPPC)	Power	Philippines	**–**	**60.00**	–	60.00
Prism Energy, Inc. (PEI)	Power	Philippines	**–**	**60.00**	–	60.00
Pilmico Foods Corporation (PILMICO) and Subsidiaries	Food manufacturing	Philippines	**–**	**100.00**	–	100.00
Filagri Holdings, Inc.	Holding	Philippines	**–**	**100.00**	–	100.00
Pilmico Animal Nutrition Corporation (PANC)	Food manufacturing	Philippines	**–**	**100.00**	–	100.00
Filagri, Inc.	Food manufacturing	Philippines	**–**	**100.00**	–	100.00
AboitizLand, Inc. (AboitizLand) and Subsidiaries	Real estate	Philippines	**–**	**100.00**	–	100.00
Cebu Industrial Park Developers, Inc. (CIPDI)	Real estate	Philippines	**–**	**60.00**	–	60.00
Misamis Oriental Land Development Corporation (MOLDC)	Real estate	Philippines	**–**	**60.00**	–	60.00
Propriedad del Norte, Inc. (PDNI)	Real estate	Philippines	**–**	**100.00**	–	100.00
Lima Land, Inc. (LLI) and Subsidiary	Real estate	Philippines	**–**	**100.00**	–	100.00
AEV International Pte. Ltd. (AEV International)	Holding	Singapore	**–**	**100.00**	–	100.00
Pilmico International Pte. Ltd. (Pilmico International)	Holding	Singapore	**–**	**100.00**	–	100.00
Pilmico Vietnam Feeds Joint Stock Company (Pilmico Feeds)	Food manufacturing	Vietnam	**–**	**100.00**	–	100.00

(Forward)

	Nature of Business	Place of Incorporation	Percentage of Ownership 2018 Direct	2018 Indirect	2017 Direct	2017 Indirect
Pilmico Viet Nam Trading Company, Ltd. (PVTC)	Trading	Vietnam	**–%**	**100.00%**	–%	100.00%
Pilmico Animal Nutrition Joint Stock Company (PAN JSC)	Food manufacturing	Vietnam	**–**	**70.00**	–	70.00
PT PILMICO Foods Indonesia (PFI)	Trading	Indonesia	**–**	**67.00**	–	67.00
Gold Coin Management Holdings Ltd. (GCMH)	Holding	British Virgin Island	**–**	**75.00**	–	–
GC Investment Holdings Limited (GCIH)	Holding	Hong Kong	**–**	**100.00**	–	–
Gold Coin (ZhangJiang) Company Ltd. (GCZJ)	Feedmills	China	**–**	**100.00**	–	–
Gold Coin (Zhangzhou) Company Ltd. (GCZZ)	Feedmills	China	**–**	**100.00**	–	–
Gold Coin (Zhuhai) Company Limited (GCZH)	Feedmills	China	**–**	**100.00**	–	–
Gold Coin Feedmill (Kunming) Co. Ltd. (GCKM)	Feedmills	China	**–**	**100.00**	–	–
Gold Coin Feedmill (Dongguan) Co. Ltd. (GCDG)	Feedmills	China	**–**	**100.00**	–	–
Gold Coin Management (Shenzhen) Co. Ltd. (GCSZ)	Holding	China	**–**	**100.00**	–	–
Gold Coin Malaysia Group Sdn. Bhd. (GCMG)	Holding	Malaysia	**–**	**70.00**	–	–
Gold Coin Feedmills (Malaysia) Sdn. Bhd. (GCFM)	Feedmills	Malaysia	**–**	**100.00**	–	–
Gold Coin Feedmill (Sabah) Sdn. Bhd. (GCFS)	Feedmills	Malaysia	**–**	**100.00**	–	–
Gold Coin Sarawak Sdn. Bhd. (GCS)	Feedmills	Malaysia	**–**	**72.80**	–	–
Bintawa Fishmeal Factory Sdn. Bhd. (BFF)	Feedmills	Malaysia	**–**	**72.80**	–	–
Golden Livestock Sdn Bhd (GLS)	Holding	Malaysia	**–**	**100.00**	–	–
Gold Coin Sabah Sdn. Bhd. (GCSAB)	Holding	Malaysia	**–**	**100.00**	–	–
Gold Coin Feedmill (Dong Nai) Co. Ltd. (GCFD)	Feedmills	Vietnam	**–**	**100.00**	–	–
American Feeds Company Limited (AFC)	Feedmills	Vietnam	**–**	**100.00**	–	–
Gold Coin Feedmill Ha Nam Co. Ltd. (GCFHN)	Feedmills	Vietnam	**–**	**100.00**	–	–
Gold Coin Feed Mills (Lanka) Ltd. (GCFL)	Feedmills	Sri Lanka	**–**	**60.00**	–	–
Comfez Limited (CFL)	Trading	Hong Kong	**–**	**100.00**	–	–
APAC Commodities Pte. Ltd. (APAC)	Trading	Singapore	**–**	**100.00**	–	–
Gold Coin Group Limited (GCG)	Holding	Hong Kong	**–**	**100.00**	–	–
Gold Coin Holdings Sdn Bhd (GCHSB)	Holding	Malaysia	**–**	**100.00**	–	–
Gold Coin Services Singapore Pte Limited (GCSS)	Holding	Singapore	**–**	**100.00**	–	–
Comfez Pte. Ltd. (CPL)	Trading	Singapore	**–**	**100.00**	–	–
Myanmar Gold Coin International Co. Ltd. (MGCI)	Feedmills	Myanmar	**–**	**100.00**	–	–
KLEAN Greentech Co. Ltd. (KGT)	Feedmills	Thailand	**–**	**49.00**	–	–
Gold Coin Aqua Feed Incorporated (FKA Syaqua Group Incorporated) (SYBVI)	Holding	British Virgin Island	**–**	**100.00**	–	–
Gold Coin Aqua Feed (Hong Kong) Ltd (FKA Syaqua Holdings (Hong Kong) Ltd) (SYHK)	Holding	Hong Kong	**–**	**100.00**	–	–
Gold Coin Aqua Feed (Singapore) Pte Ltd (FKA SYAQUA Singapore Pte Ltd) (SYSG)	Holding	Singapore	**–**	**100.00**	–	–
Gold Coin Specialities Sdn. Bhd. (GCSSB)	Feedmills	Malaysia	**–**	**70.00**	–	–
Gold Coin Specialities (Thailand) Co. Ltd. (GCST)	Feedmills	Thailand	**–**	**93.9**	–	–
P.T. Gold Coin Trading Indonesia (GCTI)	Feedmills	Indonesia	**–**	**100.00**	–	–
P.T. Gold Coin Specialities (GCSI)	Feedmills	Indonesia	**–**	**99.9**	–	–
P.T. Gold Coin Indonesia (GCI)	Feedmills	Indonesia	**–**	**100.00**	–	–

(Forward)

	Nature of Business	Place of Incorporation	Percentage of Ownership 2018 Direct	2018 Indirect	2017 Direct	2017 Indirect
PT Ayam Unggul (PT Ayam)	Feedmills	Indonesia	**–%**	**60.00%**	–%	–%
FEZ Animal Nutrition Pte Ltd (FEZ)	Holding	Singapore	**–**	**100.00**	–	–
FEZ Animal Nutrition Philippines, Inc. (FEZ(PH))	Holding	Philippines	**–**	**40.00**	–	–
FEZ Animal Nutrition Pakistan (Private Limited (FEZ(PK))	Holding	Pakistan	**–**	**100.00**	–	–
FEZ Animal Nutrition (Malaysia) Sdn. Bhd. (FEZ(M))	Holding	Malaysia	**–**	**100.00**	–	–
Archipelago Insurance Pte Ltd (AIPL)	Insurance	Singapore	**100.00**	**–**	100.00	–
AEV Aviation, Inc. (AEV Aviation)	Service	Philippines	**73.31**	**26.69**	73.31	26.69
AEV Properties, Inc.*	Real estate	Philippines	**100.00**	**–**	100.00	–
Cebu Praedia Development Corporation (CPDC)	Real estate	Philippines	**100.00**	**–**	100.00	–
PETNET, Inc. (PETNET)	Financial services	Philippines	**–**	**–**	51.00	–
Aboitiz Infracapital, Inc. (Aboitiz Infracapital)	Holding	Philippines	**100.00**	**–**	100.00	–
Lima Water Corporation (LWC)	Water	Philippines	**–**	**100.00**	–	100.00
Apo Agua Infrastructura, Inc. (Apo Agua)*	Supply of treated bulk water	Philippines	**22.22**	**47.78**	22.22	47.78

**No commercial operations as of December 31, 2018.*
A) MVEZ was incorporated in 2017
B) Dissolved and liquidated in 2018 as part of TPI's restructuring of its offshore intermediary companies acquired as part of the GNPower acquisition

The Group controls an investee if and only if the Group has:
- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interests;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

Interest in Joint Operations

On May 15, 2014, the Group, through TPI, entered into a shareholders' agreement with TPEC Holdings Corporation (TPEC) for the development, construction and operation of the 400 MW Pagbilao Unit III in Pagbilao, Quezon through Pagbilao Energy Corporation (PEC). TPI and TPEC both agreed to provide their respective capital contributions and subscribe to common shares such that each stockholder owns 50% of the issued and outstanding shares of stock of PEC.

The Group's share of assets, liabilities, revenue, expenses and cash flows of joint operations are included in the consolidated financial statements on a line-by-line basis.

Transactions with Non-controlling Interests

Non-controlling interests represent the portion of profit or loss and net assets in the subsidiaries not held by the Group and are presented separately in the consolidated statement of income and within equity in the consolidated balance sheet, separately from the equity attributable to equity holders of the parent. Transactions with non-controlling interests are accounted for as equity transactions. On acquisitions of non-controlling interests, the difference between the consideration and the book value of the share of the net assets acquired is reflected as being a transaction between owners and recognized directly in equity. Gain or loss on disposals to non-controlling interest is also recognized directly in equity.

Summary of Significant Accounting Policies

Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated balance sheet based on current/noncurrent classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for a least twelve months after reporting period

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period or
- There is no unconditional right to defer settlement of the liability for at least twelve months after the reporting period

All other liabilities are classified as noncurrent.

Deferred income tax assets and liabilities are classified as non-current assets and liabilities.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

The Group's valuation team (the Team) determines the policies and procedures for fair value measurement of its investment properties, and property, plant and equipment. External valuers (the Valuers) are involved in the periodic valuation of these assets. The respective subsidiary's Team decides the selection of the Valuers after discussion with and approval by its Chief Financial Officer (CFO). Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Team also determines, after discussions with the chosen valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the Team analyzes the movements in the values of the investment properties, and property, plant and equipment which are required to be re-measured or re-assessed in accordance with the subsidiary's accounting policies. The Team, in coordination with the Valuers, also compares each of the changes in the fair value of each property with relevant external sources to determine whether the change is reasonable.

On the re-appraisal year, the Team and Valuers present the valuation results and the major assumptions used in the valuation to its CFO.

Cash and Cash Equivalents
Cash and cash equivalents in the consolidated balance sheet consist of cash on hand and with banks, and short-term, highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value. They are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Financial Instruments - Initial Recognition and Subsequent Measurement
(prior to adoption of PFRS 9)

Date of recognition
The Group recognizes a financial asset or a financial liability in the consolidated balance sheet on the date when it becomes a party to the contractual provisions of the instrument. All regular way purchases and sales of financial assets are recognized on trade date, which is the date that the Group commits to purchase the asset. Regular way purchases or sales of financial assets are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace. Derivatives are recognized on a trade date basis.

Initial recognition of financial instruments
All financial assets and financial liabilities are recognized initially at fair value. Except for financial assets at FVPL, the initial measurement of financial assets includes transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, loans and receivables, HTM investments, and AFS investments. For financial liabilities, the Group also classifies them into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether they are quoted in

an active market. The Group determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

"Day 1" difference
Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in the consolidated statement of income unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference amount.

a. Financial assets and financial liabilities at FVPL
   Financial assets and liabilities at FVPL include financial assets and liabilities held for trading purposes and financial assets and liabilities designated upon initial recognition as at FVPL. Financial assets and liabilities are classified as held for trading if they are acquired for the purpose of selling and repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated and considered as hedging instruments in an effective hedge.

   Financial assets and financial liabilities may be designated at initial recognition as at FVPL if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing the gains or losses on them on a different basis; or (ii) the assets and liabilities are part of a group of financial assets, liabilities or both which are managed and their performance evaluated on fair value basis, in accordance with a documented risk management strategy; or (iii) the financial instruments contains an embedded derivative that would need to be recorded separately, unless the embedded derivative does not significantly modify the cash flow or it is clear, with little or no analysis, that it would not be separately recorded.

   Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset or financial liability at FVPL, except when the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

   Financial assets and liabilities at FVPL are recorded in the consolidated balance sheet at fair value. Subsequent changes in fair value are recognized in the consolidated statement of income. Interest earned or incurred is recorded as interest income or expense, respectively, while dividend income is recorded as other income when the right to receive payment has been established.

   The Group's derivative assets and derivative liabilities as at December 31, 2017 prior to adoption of PFRS 9 are classified as financial assets and financial liabilities at FVPL, respectively (see Note 36).

b. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not reclassified or designated as AFS investments or financial assets at FVPL. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest method less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate (EIR) and transaction costs. Gains and losses are recognized in the consolidated statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Financial assets included in this classification as of December 31, 2017 are the Group's cash in banks and cash equivalents, trade and other receivables and restricted cash (see Note 36).

c. HTM investments

HTM investments are quoted non-derivative financial assets which carry fixed or determinable payments and fixed maturities and which the Group has the positive intention and ability to hold to maturity. After the initial measurement, HTM investments are measured at amortized cost using the effective interest method. This method uses an effective interest rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral to the effective interest rate. Where the Group sells other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified as AFS investments. Gains and losses are recognized in the consolidated statement of income when the investments are impaired, as well as through the amortization process.

The Group's HTM investments amounted to ₱189.2 million as of December 31, 2017.

d. AFS investments

AFS financial investments include equity and debt securities. Equity investments classified as AFS are those which are neither classified as held for trading nor designated as at FVPL. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions. They are included in noncurrent assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

After initial recognition, AFS financial investments are measured at fair value with unrealized gains or losses being recognized in the other comprehensive income and in equity as "Net unrealized mark-to-market gains on AFS investments". When the investment is disposed of, the cumulative gains or loss previously recorded in equity is recognized in the consolidated statement of income. The Group uses the specific identification method in determining the cost of securities sold. Interest earned or paid on the investments is reported as interest income or expense using the EIR. Interest earned on holding AFS investments are reported as "Interest income" using the effective interest method.

Dividends earned on holding AFS investments are recognized in the consolidated statement of income as "Other income" when the right of payment had been established. The losses arising from impairment of such investments are recognized as "Provision for credit and impairment losses" in the consolidated statement of income. Unquoted equity securities are carried at cost, net of impairment.

The Group's AFS investments as of December 31, 2017 include investments in quoted and unquoted shares of stock (see Note 36).

e. Other financial liabilities

This category pertains to issued financial liabilities or their components that are neither held for trading nor designated as at FVPL upon the inception of the liability and contain contractual obligations to deliver cash or another financial asset to the holder or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

Other financial liabilities are initially recorded at fair value, less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized, as well as through the amortization process.

Included in other financial liabilities as of December 31, 2017 are the Group's debt and other borrowings (bank loans and long-term debts), obligations under finance lease, trade and other payables, customers' deposits, dividends payable, and long-term obligation on Power Distribution System (PDS) (see Note 36).

Financial Instruments - Classification and Measurement (upon adoption of PFRS 9)

Classification of financial assets

Financial assets are classified in their entirety based on the contractual cash flows characteristics of the financial assets and the Group's business model for managing the financial assets. The Group classifies its financial assets into the following measurement categories:

- financial assets measured at amortized cost
- financial assets measured at fair value through profit or loss
- financial assets measured at fair value through other comprehensive income, where cumulative gains or losses previously recognized are reclassified to profit or loss
- financial assets measured at fair value through other comprehensive income, where cumulative gains or losses previously recognized are not reclassified to profit or loss

Contractual cash flows characteristics

If the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the Group assesses whether the cash flows from the financial asset represent solely payments of principal and interest (SPPI) on the principal amount outstanding.

In making this assessment, the Group determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending arrangement. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual terms that introduce exposure to risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

Business model
The Group's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument.

The Group's business model refers to how it manages its financial assets in order to generate cash flows. The Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. Relevant factors considered by the Group in determining the business model for a group of financial assets include how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel, the risks that affect the performance of the business model (and the financial assets held within that business model) and how these risks are managed and how managers of the business are compensated.

Financial assets at amortized cost
A financial asset is measured at amortized cost if (i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the EIR method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in 'Interest income' in the statement of income and is calculated by applying the EIR to the gross carrying amount of the financial asset, except for (i) purchased or originated credit-impaired financial assets and (ii) financial assets that have subsequently become credit-impaired, where, in both cases, the EIR is applied to the amortized cost of the financial asset. Losses arising from impairment are recognized in 'Provision for credit and impairment losses' in the statement of income.

The Group's debt financial assets as of December 31, 2018 consist of cash in banks, including restricted cash, cash equivalents, trade and other receivables and the Power Sector Assets and Liabilities Management Corporation (PSALM) deferred adjustment - net of current portion included in "Other noncurrent assets" in the consolidated balance sheets. The Group assessed that the contractual cash flows of its debt financial assets are 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.

Financial assets at FVOCI
A financial asset is measured at FVOCI if (i) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate component of equity. Impairment losses or reversals, interest income and foreign exchange gains and losses are recognized in profit and loss until the financial asset is derecognized. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. This reflects the gain or loss that would have been recognized in profit or loss upon derecognition if the financial asset had been measured at amortized cost. Impairment is measured based on the ECL model.

The Group may also make an irrevocable election to measure at FVOCI on initial recognition investments in equity instruments that are neither held for trading nor contingent consideration recognized in a business combination in accordance with PFRS 3. Amounts recognized in OCI are not subsequently transferred to profit or loss. However, the Group may transfer the cumulative gain or loss within equity. Dividends on such investments are recognized in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment.

Dividends are recognized in profit or loss only when:

- the Group's right to receive payment of the dividend is established
- it is probable that the economic benefits associated with the dividend will flow to the Group; and
- the amount of the dividend can be measured reliably.

The Group does not have any financial asset at FVOCI as of December 31, 2018.

Financial assets at FVTPL
Financial assets at FVTPL are measured as at unless these are measured at amortized cost or at FVOCI. Included in this classification are equity investments held for trading and debt instruments with contractual terms that do not represent solely payments of principal and interest. Financial assets held at FVTPL are initially recognized at fair value, with transaction costs recognized in the statement of income as incurred. Subsequently, they are measured at fair value and any gains or losses are recognized in the statement of income.

Additionally, even if the asset meets the amortized cost or the FVOCI criteria, the Group may choose at initial recognition to designate the financial asset at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) that would otherwise arise from measuring financial assets on a different basis.

Trading gains or losses are calculated based on the results arising from trading activities of the Group, including all gains and losses from changes in fair value for financial assets and financial liabilities at FVTPL, and the gains or losses from disposal of financial investments.

The Group's 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 as of December 31, 2018.

Classification of financial liabilities
Financial liabilities are measured at amortized cost, except for the following:
- financial liabilities measured at fair value through profit or loss;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the Group retains continuing involvement;
- financial guarantee contracts;
- commitments to provide a loan at a below-market interest rate; and
- contingent consideration recognized by an acquirer in accordance with PFRS 3.

A financial liability may be designated at fair value through profit or loss if it eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) or:
- if a host contract contains one or more embedded derivatives; or
- if a group of financial liabilities or financial assets and liabilities is managed and its performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Where a financial liability is designated at fair value through profit or loss, the movement in fair value attributable to changes in the Group's own credit quality is calculated by determining the changes in credit spreads above observable market interest rates and is presented separately in other comprehensive income.

The Group's financial liabilities measured at amortized cost as of December 31, 2018 include trade and other payables, customers' deposits, short-term loans, finance lease obligation, long-term obligation on PDS and long-term debts (see Note 35).

Reclassifications of financial instruments (upon adoption of PFRS 9)
The Group reclassifies its financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by the Group and any previously recognized gains, losses or interest shall not be restated. The Group does not reclassify its financial liabilities.

The Group does not reclassify its financial assets when:
- A financial asset that was previously a designated and effective hedging instrument in a cash flow hedge or net investment hedge no longer qualifies as such;
- A financial asset becomes a designated and effective hedging instrument in a cash flow hedge or net investment hedge; and
- There is a change in measurement on credit exposures measured at fair value through profit or loss.

Derivative Financial Instruments
Derivative financial instruments, including embedded derivatives, are initially recognized at fair value on the date in which a derivative transaction is entered into or bifurcated, and are

subsequently remeasured at FVPL, unless designated as effective hedge. Changes in fair values of derivative instruments not accounted as hedges are recognized immediately in the consolidated statement of income. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The Group assesses whether embedded derivatives are required to be separated from host contracts when the Group first becomes party to the contract. An embedded derivative is separated from the host financial or non-financial contract and accounted for as a derivative if all of the following conditions are met:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the hybrid or combined instrument is not recognized as at FVPL.

Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Embedded derivatives that are bifurcated from the host contracts are accounted for either as financial assets or financial liabilities at FVPL.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

Under PAS 39, the documentation includes identification of the hedging instrument, the hedge item or transaction, the nature of the risk being hedged and how the Group will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting period for which they were designated.

Under PFRS 9, the documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item.

As of December 31, 2018 and 2017, the Group has freestanding derivatives in the form of deliverable and non-deliverable foreign currency forward contracts entered into to economically hedge its foreign currency risks (see Note 35).

The Group's hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Cash flow hedges
The effective portion of the gain or loss on the hedging instrument is recognized in OCI in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the statement of income. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The Group uses foreign currency forward contracts as hedges of its exposure to foreign currency risk in forecast transactions, as well as commodity swap contracts for its exposure to volatility in the commodity prices. The ineffective portion relating to foreign currency forward contracts and the commodity contracts are recognized in other operating income or expenses as realized gain or loss on derivative instruments.

The Company designated all of the foreign currency forward and commodity swap contracts as hedging instrument. The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognized in OCI for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to the statement of income as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

Classification of Financial Instruments Between Liability and Equity
Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

A financial instrument is classified as liability if it provides for a contractual obligation to:
- deliver cash or another financial asset to another entity;
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

<u>Derecognition of Financial Assets and Liabilities (prior to and upon adoption of PFRS 9)</u>

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when, and only when:

- the rights to receive cash flows from the asset expires;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group retains the contractual rights to receive the cash flows of a financial asset but assumes a contractual obligation to pay those cash flows to one or more entities, the Group treats the transaction as a transfer of a financial asset if the Group:

- has no obligation to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset;
- is prohibited by the terms of the transfer contract from selling or pledging the original asset other than as security to the eventual recipients for the obligation to pay them cash flows; and
- has an obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay.

In transactions where the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and it retains control over the financial asset, the financial asset is recognized to the extent of the Group's continuing involvement in the financial asset. The extent of the Group's continuing involvement in the transferred asset is the extent to which it is exposed to changes in the value of the transferred asset. When the Group's continuing involvement takes the form of guaranteeing the transferred asset, the extent of the Group's continuing involvement is the lower of (i) the amount of the asset and (ii) the maximum amount of the consideration received that the Group could be required to repay ('the guarantee amount'). When the Group's continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase. However, in the case of a written put option on an asset that is measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price. When the Group's continuing involvement takes the form of a cash- settled option or similar provision on the transferred asset, the extent of the Group's continuing involvement is measured in the same way as that which results from non-cash settled options.

Modification of contractual cash flows
When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Group recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in the statement of income.

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of the modified financial asset, the modified asset is considered a 'new' financial asset. Accordingly, the date of the modification shall be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset.

Financial liabilities
A financial liability (or a part of a financial liability) is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability or a part of it are substantially modified, such an exchange or modification is treated as a derecognition of the original financial liability and the recognition of a new financial liability, and the difference in the respective carrying amounts is recognized in the statement of income.

Impairment of Financial Assets (prior to adoption of PFRS 9)
The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if and only if, there is an objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables
For loans and receivables carried at amortized cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether

significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statement of income. Interest income continues to be accrued on the reduced carrying amount based on the original EIR of the financial asset. Loans and receivables together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent period, the amount of the impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or decreased by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.
Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

AFS investments
In the case of equity investments classified as AFS, objective evidence of impairment would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of income) is removed from other comprehensive income and recognized in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income. Increases in fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as AFS, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on rate of interest used to discount future cash flows for measuring impairment loss. Such accrual is recorded as part of "Interest income" in the consolidated statement of income. If, in subsequent period, the fair value of a debt instrument increased and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

HTM investments
The Group reviews the age and status of HTM investments and assesses if it needs to be provided with allowance. The Group maintains allowances for impairment losses at a level considered adequate to provide for potential uncollectible investments.

Impairment of Financial Assets (upon adoption of PFRS 9)
PFRS 9 introduces the single, forward-looking "expected loss" impairment model, replacing the "incurred loss" impairment model under PAS 39.

The Group recognizes ECL for the following financial assets that are not measured at FVTPL:

- debt instruments that are measured at amortized cost and FVOCI;
- loan commitments; and
- financial guarantee contracts.

No ECL is recognized on equity investments.

ECLs are measured in a way that reflects the following:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Financial assets migrate through the following three stages based on the change in credit quality since initial recognition:

Stage 1: 12-month ECL
For credit exposures where there have not been significant increases in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the 12-months after the reporting date are recognized.

Stage 2: Lifetime ECL - not credit-impaired
For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis but are not credit-impaired, lifetime ECLs representing the ECLs that result from all possible default events over the expected life of the financial asset are recognized.

Stage 3: Lifetime ECL – credit-impaired
Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime ECLs are recognized and interest revenue is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset.

Loss allowances are recognized based on 12-month ECL for debt investment securities that are assessed to have low credit risk at the reporting date. A financial asset is considered to have low credit risk if:

- the financial instrument has a low risk of default
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade', or when the exposure is less than 30 days past due.

Determining the stage for impairment
At each reporting date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-months ECL.

The simplified approach, where changes in credit risk are not tracked and loss allowances are measured at amounts equal to lifetime ECL, is applied to "Trade and other receivables". The Group has established a provision matrix for customer segments that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial Guarantees (prior to adoption of PFRS 9)
Financial guarantees are initially recognized in the financial statements at fair value, and the initial fair value is amortized over the life of the financial guarantee. The guarantee liability is subsequently carried at the higher of the amortized amount and the present value of any expected payment (when a payment under the guaranty has become probable).

Financial Guarantee Contracts and Loan Commitments (upon adoption of PFRS 9)
Financial guarantees are contracts issued by the Group that require it to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees are initially recognized in the financial statements at fair value. Subsequently, these are measured at the higher of:

- the amount of the loss allowance determined in accordance with the ECL model and
- the amount initially recognized less, when appropriate, the cumulative amount of income

Loan commitments provided by the Group are measured as the amount of the loss allowance. The Group has not provided any commitment to provide loans that can be settled net in cash or by delivering or issuing another financial instrument or that are issued at below-market interest rates.

For loan commitments and financial guarantee contracts, the loss allowance is recognized as a provision. However, for financial instruments that include both a loan and an undrawn commitment (i.e. loan commitment) component where the Group cannot separately identify the expected credit losses on the loan commitment component from those on the loan component, the expected credit losses on the loan commitment should be recognized together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the financial asset, the expected credit losses should be recognized as a provision.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is generally not the case with master netting agreements, and the related assets and liabilities are presented at gross in the consolidated balance sheet.

Redeemable Preferred Shares (RPS)

The component of the RPS that exhibits characteristics of a liability is recognized as a liability in the consolidated balance sheet, net of transaction costs. The corresponding dividends on those shares are charged as interest expense in the consolidated statement of income. On issuance of the RPS, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long-term liability on the amortized cost basis until extinguished on redemption.

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Wheat grains and trading inventories	-	purchase cost on a specific identification basis;
Other raw materials and production supplies, materials, parts and supplies	-	purchase cost on a moving average method
Finished goods	-	cost of direct materials, labor and a portion of manufacturing overhead based on normal operating capacity but excluding borrowing costs;
Fuel and lubricants	-	purchase cost on a first-in, first-out basis;

NRV of wheat grains and other raw materials and finished goods is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. An allowance for inventory losses and inventory shrinkage is provided, when necessary, based on management's review of inventory turnover in accordance with prescribed policies. NRV of fuel and lubricants and materials, parts and supplies is the current replacement costs.

Real estate inventories include land and condominium units, land and land improvements and residential lots for sale. Real estate inventories are carried at the lower of cost and NRV (i.e., estimated selling price less estimated costs to complete and sell). Cost includes costs incurred for the acquisition, development and improvement of the properties as well as the borrowing costs allowed to be capitalized.

Land and Improvements

Land and improvements consist of properties for future development and are carried at the lower of cost and NRV. NRV is the estimated selling price in the ordinary course of business, less estimated cost of completion and estimated costs necessary to make the sale. Cost includes those costs incurred for development and improvement of the properties. Cost of land and improvements is transferred to real estate inventories upon commencement of the real estate project.

Agricultural Activity

Agricultural produce

Agricultural produce (livestock and poultry) are measured at fair value less estimated costs to sell at point of harvest.

Biological assets

Biological assets are measured on initial recognition and at each balance sheet date at fair value less estimated costs to sell except when, on initial recognition, market-determined prices or values are not available and for which alternative estimates of fair value are determined to be clearly unreliable. In such cases, those biological assets are measured at accumulated costs less any accumulated depreciation and any accumulated impairment losses. Once the fair value of such biological assets becomes reliably measurable, those biological assets are measured at fair value less estimated costs to sell.

Gains or losses arising on initial recognition of a biological asset (for market hogs, piglets, growing stock, broilers and others) at fair value less estimated costs to sell and from changes in their fair values less estimated costs to sell are included in the consolidated statement of income for the period in which they arise.

Biological assets measured at fair value less estimated costs to sell continue to be measured as such until disposed. Expenditures on biological assets subsequent to initial recognition, excluding the costs of day-to-day servicing, are capitalized.

Investments in Associates and Joint Ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associates and joint ventures are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The consolidated statement of income reflects the Group's share of the results of operations of the associate or joint venture. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the consolidated statement of income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the loss in the consolidated statement of income.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Interest in Joint Operations

A joint arrangement is classified as a joint operation if the parties with joint control have rights to the assets and obligations for the liabilities of the arrangement. For interest in joint operations, the Group recognizes:

- assets, including its share of any assets held jointly;
- liabilities, including its share of any liabilities incurred jointly;

- revenue from the sale of its share of the output arising from the joint operation;
- share of the revenue from the sale of the output by the joint operation; and
- expenses, including its share of any expenses incurred jointly.

The accounting and measurement for each of these items is in accordance with the applicable PFRSs.

Business Combination and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the noncontrolling interest in the acquiree pertaining to instruments that represent present ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interest are measured at fair value unless another measurement basis is required by PFRS. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with PAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the Group's interest in the fair values of the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized as "bargain purchase gain" in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of goodwill
Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized.

Common control business combination
Business combination of entities under common control is accounted for similar to pooling of interest method, which is scoped out of PFRS 3. Under the pooling of interest method, any excess of acquisition cost over the net asset value of the acquired entity is recorded in equity.

Property held for sale
The Group classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification. Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held for sale.

Property, Plant and Equipment
Except for land, property, plant and equipment are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment in value. The initial cost of property, plant and equipment comprises its purchase price, including import duties, if any, and nonrefundable taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Cost includes the cost of replacing part of such property, plant and

equipment when that cost is incurred and the recognition criteria are met. Repairs and maintenance costs are recognized in the consolidated statement of income as incurred.

Land is stated at cost less any accumulated impairment in value.

Depreciation and amortization of the Group's property, plant and equipment and assets under finance leases is calculated on a straight-line basis over the useful lives of the assets as follows:

Category	Estimated Useful Life (in years)
Buildings, warehouses and improvements	10 - 50
Power plant and equipment	2 - 50
Transmission, distribution and substation equipment	
Power transformers	30
Poles and wires	20 - 40
Other components	12 - 30
Machinery and equipment	2 - 30
Transportation equipment	2 - 10
Office furniture, fixtures and equipment	1 - 20
Leasehold improvements	3 - 20
Electrical equipment	5 - 25
Meters and laboratory equipment	25
Steam field assets	20 - 25
Tools and others	2 - 20

Leasehold improvements are amortized over the shorter of the lease terms and the lives of the improvements.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

Fully depreciated assets are retained in the accounts until these are no longer in use. When assets are retired or otherwise disposed of, both the cost and related accumulated depreciation and amortization and any allowance for impairment losses are removed from the accounts and any resulting gain or loss is credited or charged to current operations. An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income in the year the asset is derecognized.

The asset's residual values, useful lives and depreciation and amortization methods are reviewed and adjusted, if appropriate, at each financial year-end.

When each major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria satisfied.

Construction in progress represents structures under construction and is stated at cost. This includes cost of construction and other direct costs. Borrowing costs that are directly attributable to the construction of property, plant and equipment are capitalized during the construction period.

<u>Service Concession Arrangements</u>
Public-to-private service concession arrangements where: (a) the grantor controls or regulates what services the entities in the Group must provide with the infrastructure, to whom it must provide them, and at what price; and (b) the grantor controls - through ownership, beneficial entitlement or otherwise - any significant residual interest in the infrastructure at the end of the term of the arrangement, are accounted for under the provisions of Philippine Interpretation IFRIC 12, *Service Concession Arrangements*. Infrastructures used in a public-to-private service concession arrangement for its entire useful life (whole-of-life assets) are within the scope of this Interpretation if the conditions in (a) are met.

This interpretation applies to both: (a) infrastructure that the entities in the Group constructs or acquires from a third party for the purpose of the service arrangement; and (b) existing infrastructure to which the grantor gives the entity in the Group access for the purpose of the service arrangement.

Infrastructures within the scope of this Interpretation are not recognized as property, plant and equipment of the Group. Under the terms of contractual arrangements within the scope of this Interpretation, an entity acts as a service provider. An entity constructs or upgrades infrastructure (construction or upgrade services) used to provide a public service and operates and maintains that infrastructure (operation services) for a specified period of time.

An entity recognizes and measures revenue in accordance with PFRS 15 for the services it performs. If an entity performs more than one service (i.e., construction or upgrade services and operation services) under a single contract or arrangement, consideration received or receivable shall be allocated by reference to the relative fair values of the services delivered, when the amounts are separately identifiable.

When an entity provides construction or upgrades services, the consideration received or receivable by the entity is recognized at its fair value. An entity accounts for revenue and costs relating to construction or upgrade services in accordance with PFRS 15. Revenue from construction contracts is recognized based on the percentage-of-completion method, measured by reference to the percentage of costs incurred to date to estimated total costs for each contract. The applicable entities account for revenue and costs relating to operation services in accordance with PFRS 15.

An entity recognizes a financial asset to the extent that it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction services. An entity recognizes an intangible asset to the extent that it receives a right (a license) to charge users of the public service.

When the applicable entities have contractual obligations it must fulfill as a condition of its license (a) to maintain the infrastructure to a specified level of serviceability or (b) to restore the infrastructure to a specified condition before it is handed over to the grantor at the end of the service arrangement, it recognizes and measures these contractual obligations in accordance with

PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, i.e., at the best estimate of the expenditure that would be required to settle the present obligation at the balance sheet date.

Borrowing cost attributable to the construction of the asset if the consideration received or receivable is an intangible asset, is capitalized during the construction phase. In all other cases, borrowing costs are expensed as incurred.

Intangible Asset

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of the acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the consolidated statement of income in the year in which the expenditure is incurred.

Service concession right

The Group's intangible asset - service concession right pertains mainly to its right to charge users of the public service in connection with the service concession and related arrangements. This is recognized initially at the fair value which consists of the cost of construction services and the fair value of future fixed fee payments in exchange for the license or right. Following initial recognition, the intangible asset is carried at cost less accumulated amortization and any accumulated impairment losses.

The intangible asset - service concession right is amortized using the straight-line method over the estimated useful economic life which is the service concession period, and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The estimated economic useful life is ranging from 18 to 25 years. The amortization period and the amortization method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense is recognized in the consolidated statement of income in the expense category consistent with the function of the intangible asset.

Intangible assets - customer contracts

The Group's intangible assets - customer contracts pertain to contracts entered by subsidiaries relating to the provision of utility services to locators within an industrial zone.

These are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

The intangible assets - customer contracts are amortized using the straight-line method over the remaining life of the contract, and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and method are reviewed at least at each financial year end.

The amortization expense is recognized in the consolidated statement of income in the expense category consistent with the function of the intangible asset.

Franchise
The Group's franchise pertains to VECO's franchise to distribute electricity within an area granted by the Philippine Legislature, acquired in the business combination in 2013. The franchise is initially recognized at its fair value at the date of acquisition. Following initial recognition, the franchise is carried at cost less accumulated amortization and any accumulated impairment losses. The Group's franchise is amortized using the straight-line method over the estimated economic useful life, and assessed for impairment whenever there is an indication that the franchise may be impaired. The estimated economic useful life of the franchise is 40 years. The amortization period and amortization method for franchise are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the franchise are accounted for by changing the amortization period or method, as appropriate, and treated as a change in accounting estimates. The amortization expense on franchise is recognized in the consolidated statement of income in the expense category consistent with its function.

Software and licenses
Software and licenses are initially recognized at cost. Following initial recognition, the software development costs are carried at cost less accumulated amortization and any accumulated impairment in value.

The software development costs are amortized on a straight-line basis over its estimated useful economic life of 3 to 5 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization commences when the software development costs are available for use. The amortization period and the amortization method for the software development costs are reviewed at each financial year-end. Changes in the estimated useful life is accounted for by changing the amortization period or method, as appropriate, and treating them as changes in accounting estimates. The amortization expense is recognized in the consolidated statement of income in the expense category consistent with the function of the software development costs.

Project development costs
Project development costs include power plant projects in the development phase which meet the "identifiability" requirement under PAS 38, *Intangible Assets*, as they are separable and susceptible to individual sale and are carried at acquisition cost. These assets are transferred to "Property, plant and equipment" when construction of each power plant commences. During the period of development, the asset is tested for impairment annually.

Research and Development Expenditure
The Group's policy is to record research expenses in the consolidated statement of income in the period when they are incurred.

Development costs are recognized as an intangible asset on the consolidated balance sheet if the Group can identify them separately and show the technical viability of the asset, its intention and capacity to use or sell it, and how it will generate probable future economic benefits.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

Investment Properties

Investment properties, which pertain to land, land improvements and buildings, are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are carried at fair value, which reflects market conditions at the balance sheet date. Gains or losses arising from changes in fair values of investment properties are included in the consolidated statement of income in the year in which they arise.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of income in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development with a view to sale. For a transfer from investment property to owner-occupied property or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. For a transfer from inventories to investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognized in the consolidated statement of income. When the Group completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognized in the consolidated statement of income.

Asset Retirement Obligation

The asset retirement obligation arose from the Group’s obligation, under its contracts, to decommission, abandon and perform surface rehabilitation at the end of the useful lives of the steam field assets or upon abandonment of the plant. A corresponding asset is recognized as part of property, plant and equipment. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the asset retirement obligation. The unwinding of the discount is expensed as incurred and recognized in the consolidated statement of income as an “Accretion of asset retirement obligation” under the “Interest expense” account. The estimated future costs of decommissioning are reviewed annually and adjusted prospectively.

Changes in the estimated future costs or in the discount rate applied are added or deducted from the cost of the steam field asset. The amount deducted from the cost of the steam field asset, shall not exceed its carrying amount.

If the decrease in the liability exceeds the carrying amount of the steam field asset, the excess shall be recognized immediately in the consolidated statement of income.

Noncurrent Assets Classified as Held for Sale and Discontinued Operations

Noncurrent assets and disposal groups classified as held for sale are measured at the lower of their carrying mount and fair value less costs to sell. Noncurrent assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

In the consolidated statement of income of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of net income after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting net income is reported separately in the consolidated statement of income.

If there are changes to a plan of sale, and the criteria for the asset or disposal group to be classified as held for sale are no longer met, the Group ceases to classify the asset or disposal group as held for sale and it shall be measured at the lower of:

- its carrying amount before the asset was classified as held for sale adjusted for any depreciation, amortization or revaluations that would have been recognized had the asset not been classified as held for sale, and
- its recoverable amount at the date of the subsequent decision not to sell.

The Group includes any required adjustment to the carrying amount of a noncurrent asset or disposal group that ceases to be classified as held for sale in the consolidated statement of income from continuing operations in the period in which the criteria for the asset or disposal group to be classified as held for sale are no longer met. The Group presents that adjustment in the same caption in the consolidated statement of income used to present a gain or loss recognized, if any. If the Group ceases to classify a component of an entity as held for sale, the results of operations of the component previously presented in discontinued operations shall be reclassified and included in income from continuing operations for all periods presented. The amounts for prior periods shall be described as having been re-presented.

Impairment of Nonfinancial Assets

Property, plant and equipment, intangible assets, investments and advances and other current and noncurrent assets excluding restricted cash and PSALM deferred adjustment

The Group assesses at each balance sheet date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each balance sheet date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of accumulated depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Capital Stock and Additional Paid-in Capital

Capital stock is measured at par value for all shares issued. When the Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued. Capital stock includes common stock and preferred stock.

When the shares are sold at premium, the difference between the proceeds and the par value is credited to the "Additional paid-in capital" account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Company, the shares shall be measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Direct costs incurred related to equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are debited to the "Additional paid-in capital" account, net of tax. If additional paid-in capital is not sufficient, the excess is charged against equity.

Retained Earnings

Retained earnings include accumulated earnings of the Company and reduced by dividends on capital stock. Dividends on capital stock are recognized as a liability and deducted from equity when they are approved by the BOD. Dividends for the year that are approved after the financial reporting date are dealt with as an event after the financial reporting date. Retained earnings may also include effect of changes in accounting policy as may be required by the transition provisions of new and amended standards.

Treasury Shares
The Group's own equity instruments which are reacquired (treasury shares) are deducted from equity. No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Foreign Currency Translation
The consolidated financial statements are presented in Philippine peso, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the consolidated statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

As at the balance sheet date, the assets and liabilities of subsidiaries and associates whose functional currencies are not the Philippine peso, are translated into the Group's presentation currency at the rate of exchange ruling at the balance sheet date, and their statements of income are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of any of these subsidiaries or associates, the deferred cumulative amount recognized in other comprehensive income relating to the disposed entity is recognized in the consolidated statement of income.

Revenue Recognition
Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or an agent.

Sale of Power
Contracts with customers for the Power Group generally include power generation and ancillary services and power distribution and retail supply.

For power generation and ancillary services where capacity and energy dispatched are separately identified, these two obligations are 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 qualifies as a series of distinct goods or services that are substantially the same and have the same pattern of transfer.

Revenue from power generation and ancillary services is recognized in the period actual capacity is generated. Revenue is recognized over time since the customer simultaneously receives and consumes the benefits as the seller supplies power.

Under PAS 18, 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 benefit as the seller supplies power.

In contracts with fixed capacity payments which are determined at contract inception, the fixed capacity payments for the entire contract period is determined at day 1 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.

Some contracts with customers provide unspecified quantity of energy, includes provisional Energy Regulatory Commission (ERC) rates, and volume and prompt payment discounts that give rise to variable consideration. Under PFRS 15, 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.

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. Revenue is recognized over time based on amounts billed.

Sale of Goods
Revenue from the sale of goods is recognized at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The normal credit term is 30 to 90 days upon delivery. The Group has concluded that it is the principal in its revenue arrangements because it controls the goods before transferring them to the customer.

Sale of Real Estate
Contracts with customers for the Real Estate Group's real estate segment generally include sale of lot, sale of house and lot and sale of unfurnished and fully furnished condominium units.

For the sale of lot, the lot and the development made on the lot are separately identifiable promises but are combined as one performance obligation since these are not distinct within the context of the contract as the development of lot is used as an input to deliver a combined output.

For the sale of house and lot, the house and lot are separately identifiable promises but are 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 the sale of lot, house and lot and unfurnished and fully furnished condominium units occurs at completion, the Real Estate Group shall recognize revenue at a point in time when control of the asset is transferred to the customer, generally on delivery of the properties. Otherwise, if the sale occurs prior to completion, the Real Estate Group shall recognize over time, using the output method (i.e., POC) as the appropriate measure of progress, satisfying the criterion of which the Real Estate Group's performance does not create an asset with an alternative use and the Real Estate Group has an enforceable right to payment for performance completed to date.

The buyer could enforce its rights to the promised property if the developer seeks to sell the unit to another buyer. This contractual restriction on the developer's ability to direct the promised property for another use is considered substantive as the property is not interchangeable with other properties that the entity could transfer to the buyer without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. The Real Estate Group also has enforceable right to payment for performance completed to date notwithstanding contract terminations.

In determining the transaction price for real estate sales, the Real Estate Group considers the existence of significant financing component. Contracts with real estate customers provide two alternative payment options, spot cash and installment payments, after the contracts are signed. For both payment options, the Real Estate Group concluded that there is a significant financing component because the timing between when the customer pays for the property and when the Real Estate Group transfers the property to the customer do not match and the period between transfers are more than a year. The transaction price for such contracts is determined by discounting the amount of promised consideration using the appropriate discount rate. The Real Estate Group also concluded that there is a significant financing component for those contracts where the customer elects to pay in advance considering the length of time between the customer's payment and the transfer of property to the customer, as well as the prevailing interest rates in the market.

However, pursuant to the said SEC Memorandum Circular No. 14, series of 2018, the Real Estate Group opted to avail of the relief for the deferral of the accounting for the significant financing component in recognizing revenue from its real estate sales.

Rendering of services
Service revenues are recognized when the related services are rendered. Customer payments for which services have not yet been rendered are classified as unearned revenue under "Trade and other payables" account in the consolidated balance sheets.

Rental income
Rental income arising from operating leases is accounted for on a straight-line basis over the related lease terms.

Dividend income
Dividend income is recognized when the Group's right to receive payment is established.

Interest income
Interest income is recognized as it accrues taking into account the effective yield on the asset.

<u>Costs and Expenses</u>
Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are recognized when incurred.

Pension Benefits

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the consolidated statement of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the consolidated statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to consolidated statement of income in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group’s right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Borrowing Costs
Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization on that asset shall be determined as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. To the extent that funds are borrowed generally, the amount of borrowing costs eligible for capitalization shall be determined by applying a capitalization rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalized during a period shall not exceed the amount of borrowing costs incurred during that period.

Leases
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group as a lessee
Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating lease. Operating lease payments are recognized as an expense in the consolidated statement of income on a straight-line basis over the lease term.

Group as a lessor
Leases where the Group retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income.

Taxes
Current income tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date.

Current income tax relating to items recognized directly in equity is recognized in the consolidated statement of comprehensive income and not in the consolidated statement of income.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax
Deferred income tax is provided using the balance sheet liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:
- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences and carryforward benefits of net operating loss carryover (NOLCO) and excess of minimum corporate income tax (MCIT) over regular corporate income tax (RCIT), to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and the carryforward benefits of NOLCO and excess of MCIT over RCIT can be utilized, except:
- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as at the balance sheet date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Input Value-Added Tax (VAT)

Input VAT represents VAT imposed on the Group by its suppliers for the acquisition of goods and services as required by Philippine taxation laws and regulations.

Input VAT, which is presented as part of "Other current assets" and/or "Other noncurrent assets" in the consolidated balance sheets, is recognized as an asset and will be used to offset the Group's current output VAT liabilities and/or applied for claim for tax credit certificates. Input VAT is stated at its estimated NRV.

Output VAT

Output VAT represents VAT due on the sale, lease or exchange of taxable goods or properties or service by any person registered or required to register under Philippine taxation laws and regulations.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated balance sheet.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of income, net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed unless the probability of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed when an inflow of economic benefits is probable.

Events After the Reporting Period

Post year-end events that provide additional information about the Group's position at balance sheet date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed when material.

Earnings Per Common Share
Basic earnings per common share are computed by dividing net income for the year attributable to the common shareholders of the parent by the weighted average number of common shares issued and outstanding during the year, after retroactive adjustments for any stock dividends declared and stock rights exercised during the year.

Diluted earnings per share amounts are calculated by dividing the net income for the year attributable to the common shareholders of the parent by the weighted average number of common shares outstanding during the year plus the weighted average number of common shares that would be issued for outstanding common stock equivalents. The Group does not have dilutive common stock equivalents.

Dividends on Common Shares
Dividends on common shares are recognized as a liability and deducted from retained earnings when approved by the respective shareholders of the Group and its subsidiaries. Dividends for the year that are approved after the balance sheet date are dealt with as an event after the reporting period.

Operating Segments
For management purposes, effective September 2015, the Group is organized into five major operating segments (power, food manufacturing, financial services, real estate, infrastructure and parent company/others) according to the nature of the products and the services provided. The Group's identified operating segments are consistent with the segments reported to the BOD which is the Group's Chief Operating Decision Maker (CODM). Financial information on operating segments is presented in Note 33.

3. Summary of Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Judgments, key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities.

Judgments
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Determining functional currency
Based on the economic substance of the underlying circumstances relevant to the companies in the Group, the functional currency of the companies in the Group has been determined to be the Philippine peso, except for certain subsidiaries and associates whose functional currencies are the US dollar (US$), Singapore dollar, Vietnamese Dong, Indonesian Rupiah, Renminbi, Malaysian Ringgit, Sri Lanka Rupee, Pakistani Rupee, Myanmar Kyat, or Thai Baht. The Philippine peso is the currency of the primary economic environment in which the companies in the Group operate and it is the currency that mainly influences the sale of power, goods and services and the costs of power, manufacturing and selling the goods, and the rendering of services.

Determination of control or joint control over an investee company
Control is presumed to exist when an investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. On the other hand, joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Management has determined that by virtue of its majority ownership of voting rights in its subsidiaries as of December 31, 2018 and 2017, the Company had the ability to exercise control over these investees (see Note 2).

Nonconsolidation of certain investees
The Group has 83.33% interest in Manila-Oslo Renewable Enterprise, Inc. (MORE) which has a 60% ownership interest in SN Aboitiz Power-Magat (SNAP-Magat), Inc., SN Aboitiz Power-Benguet (SNAP-Benguet), Inc., SN Aboitiz Power-RES, Inc. (SNAP-RES), and SN Aboitiz Power-Generation, Inc. (SNAP-Generation).

The Group does not consolidate MORE since it does not have the ability to direct the relevant activities which most significantly affect the returns of MORE and its investees. This is a result of the shareholders' agreement which, among others, stipulates the management and operation of MORE. Management of MORE is vested in its BOD and the affirmative vote of the other shareholder is required for the approval of certain corporate actions which include financial and operating undertakings.

The Group has 60% interest in AEV CRH Holdings, Inc. (AEV CRH) which has 99.09% ownership interest in Republic Cement and Building Materials, Inc. (RCBMI), 99.63% ownership interest in Republic Cement Mindanao, Inc. (RCMI), 94.63% ownership interest in Republic Cement Iligan, Inc. (RCII) and 100% ownership interest in Luzon Continental Land Corporation (LCLC).

The Group does not consolidate AEV CRH since it does not have the ability to direct the relevant activities which most significantly affect the returns of AEV CRH and its investees. This is a result of the contractual arrangements that give the other party the power to direct the relevant non-nationalized activities of the subsidiaries of AEV CRH. Consequently, the Group recognizes AEV CRH and MORE as associates that are accounted for using the equity method in the consolidated financial statements.

Determining a joint operation
The Group has 50% interest in PEC. The Group assessed that the joint arrangement is a joint operation as the financial and operating activities of the operation are jointly controlled by the participating shareholders and are primarily designed for the provision of output to the shareholders.

Service concession arrangements - Companies in the Group as Operators
Based on management's judgment, the provisions of Philippine Interpretation IFRIC 12 apply to SEZ's Distribution Management Service Agreement (DMSA) with Subic Bay Metropolitan Authority (SBMA); MEZ's Built-Operate-Transfer agreement with Mactan Cebu International Airport Authority (MCIAA) and LHC's Power Purchase Agreement (PPA) with the National Power Corporation (NPC). SEZ, MEZ and LHC's service concession agreements were accounted for under the intangible asset model.

The Company's associate, STEAG, has also determined that the provisions of Philippine Interpretation IFRIC 12 apply to its PPA with NPC. STEAG's service concession agreement was accounted for under the financial asset model. Refer to the accounting policy on service concession arrangements for the discussion of intangible asset and financial asset models.

Finance lease - Group as the lessee
In accounting for its Independent Power Producer Administration Agreement (IPP Administration Agreement) with the Power Sector Assets and Liabilities Management Corporation (PSALM), the Group has made a judgment that the IPP Administration Agreement of TLI is an arrangement that contains a lease. The Group has made a judgment that it has substantially acquired all the risks and rewards incidental to ownership of the power plant principally by virtue of its right to control the capacity of the power plant and its right to receive the transfer of the power plant at the end of the IPP Administration Agreement for no consideration. Accordingly, the Group accounted for the agreement as a finance lease and recognized the power plant and finance lease obligation at the present value of the agreed monthly payments to PSALM (see Notes 22 and 36).

The power plant is depreciated over its estimated useful life as there is reasonable certainty that the Group will obtain ownership by the end of the lease term. As of December 31, 2018 and 2017, the carrying value of the power plant amounted to ₱34.7 billion and ₱35.8 billion, respectively (see Note 13). The carrying value of the finance lease obligation amounted to ₱46.9 billion and ₱49.2 billion as of December 31, 2018 and 2017, respectively (see Note 22).

Identifying performance obligations
The Group identifies performance obligations by considering whether the promised goods or services in the contract are distinct goods or services. A good or service is distinct when the customer can benefit from the good or service on its own or together with other resources that are readily available to the customer and the Group's promise to transfer the good or service to the customer is separately identifiable from the other promises in the contract.

The Group assesses performance obligations as a series of distinct goods and services that are substantially the same and have the same pattern of transfer if i) each distinct good or services in the series are transferred over time and ii) the same method of progress will be used (i.e., units of delivery) to measure the entity's progress towards complete satisfaction of the performance obligation

For Power Group's power generation and ancillary services where capacity and energy dispatched are separately identified, these two obligations are 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 qualifies as a series of distinct goods or services that are substantially the same and have the same pattern of transfer since the delivery of energy every month are distinct services which are all recognized over time and have the same measure of progress.

Power distribution and retail supply also qualify as a series of distinct goods or services which is accounted for as one performance obligation since the delivery of energy every month are distinct services which are recognized over time and have the same measure of progress.

For Real Estate Group's sale of developed lots, the lot and the development made on the lot are separately identifiable promises but are combined as one performance obligation since these are not distinct within the context of the contract as the lot development is used as an input to deliver a combined output. For the sale of house and lot, the house and lot are separately identifiable promises but are 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.

Revenue recognition
The Group recognizes revenue when it satisfies an identified performance obligation by transferring a promised good or service to a customer. A good or service is considered to be transferred when the customer obtains control. The Group determines, at contract inception, whether it will transfer control of a promised good or service over time. If the Group does not satisfy a performance obligation over time, the performance obligation is satisfied at a point in time.

The Group concludes that:

- revenue from power generation, power distribution, ancillary services and retail supply are to be recognized over time, since customers simultaneously receives and consumes the benefits as the Group supplies power;
- when a contract is judged to be for the construction of a property, revenue is recognized using the POC method as construction progresses. The POC is made reference to the stage of completion of projects and contracts determined on the basis of the estimated completion of physical proportion of the contract work;
- for sale of goods, revenue is recognized at a point in time, generally on the delivery of goods.

Identifying methods for measuring progress of revenue recognized over time
The Group determines the appropriate method of measuring progress which is either through the use of input or output methods. Input method recognizes revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation while output method recognizes revenue on the basis of direct measurements of the value to the customer of the goods or services transferred to date.

For power generation and ancillary services, the Power Group determines that the output method is the best method in measuring progress since actual electricity is supplied to customers. The Group recognizes revenue based on:

For power generation and ancillary services:

a. For the variable energy payment, actual kilowatt hours consumed which are billed on a monthly basis.
b. For fixed capacity payments, the Group allocates the transaction price on a straight-line basis over the contract term. The allocated fixed payments are also billed on a monthly basis.

For power distribution and retail supply, the Group uses the actual kilowatt hours consumed, which are also billed on a monthly basis.

The Real Estate Group recognizes revenues from real estate sales over time using output method in measuring progress. The use of output method is the best method in measuring progress since the entitlement of the customers to the output performed as of date is easily measured and observed on the basis that POC for the construction of real estate properties is determined using the estimated completion of physical proportion of the contract work.

Determining method to estimate variable consideration and assessing the constraint
The Group includes some or all the amounts of variable consideration estimated but only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The Group considers both the likelihood and magnitude of the revenue reversal in evaluating the extent of variable consideration the Group will subject to constraint. Factors such as i) highly susceptibility to factors outside the Group's influence, ii) timing of resolution of the uncertainty, and iii) having a large number and broad range of possible considerations amount are considered.

For Power Group, some contracts with customers provide unspecified quantity of energy, provisional ERC rates, and volume and prompt payment discounts that give rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled. The expected value method of estimation takes into account a range of possible outcomes while the most likely amount is used when the outcome is binary. It is determined that the expected value method is the appropriate method to use in estimating the variable consideration given the large number of customer contracts that have similar characteristics and the range of possible outcomes.

Allocation of variable consideration
Variable consideration may be attributable to the entire contract or to a specific part of the contract. For power generation, power distribution, ancillary services and retail supply revenue streams which are considered as series of distinct goods or services that are substantially the same and have the same pattern of transfer, the Group allocates the variable amount that is no longer subject to constraint to the satisfied portion (i.e., month) which forms part of the single performance obligation, and forms part of the monthly billing of the Group.

Distinction among real estate inventories, land and improvements, and investment properties
The Group determines whether a property is classified as real estate inventories, land and improvements or investment properties:

- Real estate inventories comprise properties that are held for sale in the ordinary course of business. Principally, these are residential properties that the Group develops and intends to sell before or on completion of construction.
- Land and improvements comprise land and related improvements that are part of the Group's strategic land banking activities for development or sale in the medium or long-term. These properties are neither developed nor available for sale and therefore not yet considered as part of real estate inventories.
- Investment properties comprise land, land improvements and buildings (principally composed of offices, commercial warehouses and retail properties) which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and for capital appreciation.

The Group considers each property separately in making its judgment.

Operating lease commitments - Group as the lessor
The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

Determining fair value of customers' deposits
In applying PAS 39 on transformer and lines and poles deposits, the Group has made a judgment that the timing and related amounts of future cash flows relating to such deposits cannot be reasonably and reliably estimated for purposes of establishing their fair values using alternative valuation techniques since the expected timing of customers' refund or claim for these deposits cannot be reasonably estimated. These customers' deposits amounted to ₱6.1 billion and ₱6.3 billion as of December 31, 2018 and 2017, respectively (see Notes 20 and 36).

Classification of financial instruments
The Group exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as either a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definition of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated balance sheet.

Contractual cash flows assessment (upon adoption of PFRS 9)
For each financial asset, the Group assesses the contractual terms to identify whether the instrument is consistent with the concept of SPPI.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

Evaluation of business model in managing financial instruments (upon adoption of PFRS 9)
The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed; and
- The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Estimation Uncertainty
The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed as follows:

Acquisition accounting
The Group accounts for acquired businesses using the purchase method of accounting which requires that the assets acquired and the liabilities assumed be recorded at the date of acquisition at their respective fair values.

The application of the purchase method requires certain estimates and assumptions especially concerning the determination of the fair values of acquired intangible assets and property, plant and equipment as well as liabilities assumed at the date of the acquisition. Moreover, the useful lives of the acquired intangible assets, property, plant and equipment have to be determined. The judgments made in the context of the purchase price allocation can materially impact the Group's future results of operations. Accordingly, for significant acquisitions, the Group obtains assistance from third party valuation specialists. The valuations are based on information available at the acquisition date (see Note 9).

Estimating allowance for impairment losses on investments and advances
Investments and advances are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. There were no impairment indicators in 2018 and 2017 based on management's assessment. The carrying amounts of the investments in and advances to associates amounted to ₱107.0 billion and ₱91.9 billion as of December 31, 2018 and 2017, respectively. The allowance for impairment losses amounted to ₱680.7 million as of December 31, 2018 and 2017 (see Note 10).

Assessing impairment of goodwill
The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as of December 31, 2018 and 2017 amounted to ₱56.3 billion and ₱41.3 billion, respectively (see Note 12). Goodwill impairment recognized in 2018 and 2016 amounted to ₱45.9 million and ₱169.5 million, respectively. No impairment of goodwill was recognized in 2017.

Estimating useful lives of property, plant and equipment
The Group estimates the useful lives of property, plant and equipment based on the period over which assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, the estimation of the useful lives of property, plant and equipment is based on collective assessment of internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in the factors and circumstances mentioned above. As of December 31, 2018 and 2017, the net book values of property, plant and equipment, excluding land, amounted to ₱219.1 billion and ₱211.1 billion, respectively (see Note 13).

Estimating residual value of property, plant and equipment
The residual value of the Group's property, plant and equipment is estimated based on the amount that the entity would obtain from disposal of the asset, after deducting estimated costs of disposal, if the asset is already of the age and in the condition expected at the end of its useful life. The estimated residual value of each asset is reviewed periodically and updated if expectations differ from previous estimates. As of December 31, 2018 and 2017, the net book values of property, plant and equipment, excluding land, amounted to ₱219.1 billion and ₱211.1 billion, respectively (see Note 13).

Estimating useful lives of intangible asset - service concession rights
The Group estimates the useful lives of intangible asset arising from service concessions based on the period over which the asset is expected to be available for use which is 18 to 25 years. The Group has not included any renewal period on the basis of uncertainty, as of balance sheet date, of the probability of securing renewal contract at the end of the original contract term. As of December 31, 2018 and 2017, the net book value of intangible asset - service concession rights amounted to ₱3.8 billion and ₱3.1 billion, respectively (see Note 15).

Estimating useful lives of intangible asset - customer contracts
The Group estimates the useful lives of intangible asset arising from customer contracts based on the period over which the asset is expected to be available for use which is six years. The Group has not included any renewal period on the basis of uncertainty, as of reporting date, of the probability of securing renewal contract at the end of the original contract term. As at December 31, 2018 and 2017, the net book values of intangible assets - customer contracts amounted to ₱27.4 million and ₱42.8 million, respectively (see Note 16).

Estimating useful life of franchise
The Group estimates the useful life of VECO's distribution franchise based on the period over which the asset is estimated to be available for use which is 40 years, consisting of 15 years remaining contract period from date of business combination and expected probable renewal covering another 25 years. As of December 31, 2018 and 2017, the carrying value of franchise amounted to ₱2.6 billion and ₱2.7 billion, respectively (see Note 16).

Assessing impairment of nonfinancial assets
The Group assesses whether there are any indicators of impairment for nonfinancial assets at each balance sheet date. These nonfinancial assets (other current assets, property, plant and equipment, intangible asset - service concession rights and other noncurrent assets) are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

Determining the recoverable amount of these assets, which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Group to make estimates and assumptions that can materially affect its consolidated financial statements. Future events could cause the Group to conclude that the other current assets, property, plant and equipment, intangible asset - service concession rights and other noncurrent assets are impaired. Any resulting impairment loss could have a material adverse

impact on the consolidated balance sheet and consolidated statement of income. The aggregate net book values of these assets as of December 31 are as follows:

	2018	2017
Property, plant and equipment (see Note 13)	**₱221,430,841**	₱213,232,540
Other current assets (see Note 7)	**12,341,747**	8,882,626
Intangible asset - service concession rights (see Note 15)	**3,791,377**	3,062,307
Other noncurrent assets (see Note 16)	**14,597,734**	14,493,688
	₱252,161,699	₱239,671,161

Impairment losses recognized on these non-financial assets in 2018 amounted to ₱740.3 billion (see Note 13). No impairment loss was recognized in 2017 and 2016.

Estimating allowance for impairment of trade and other receivables (prior to adoption of PFRS 9)
The Group maintains allowance for impairment of trade and other receivables at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management on the basis of the factors that affect the collectibility of the accounts. These factors include, but are not limited to, the Group's relationship with its clients, client's current credit status and other known market factors. The Group reviews the age and status of receivables and identifies accounts that are to be provided with allowance either individually or collectively. The amount and timing of recorded expenses for any period would differ if the Group made different judgment or utilized different estimates. An increase in the Group's allowance for impairment of trade and other receivables will increase the Group's recorded expenses and decrease current assets.

Allowance for impairment losses as of December 31, 2017 ₱2.0 billion. Trade and other receivables, net of valuation allowance, amounted to ₱24.8 billion as of December 31, 2017 (see Note 5).

Measurement of ECL (upon adoption of PFRS 9)
ECLs are derived from unbiased and probability-weighted estimates of expected loss, and are measured as follows:

- *Financial assets that are not credit-impaired at the reporting date:* as the present value of all cash shortfalls over the expected life of the financial asset discounted by the effective interest rate. The cash shortfall is the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive.
- *Financial assets that are credit-impaired at the reporting date:* as the difference between the gross carrying amount and the present value of estimated future cash flows discounted by the effective interest rate.
- *Undrawn loan commitments:* as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive.
- *Financial guarantee contracts:* as the expected payments to reimburse the holder less any amounts that the Group expects to recover.

The Group leverages existing risk management indicators (e.g. internal credit risk classification and restructuring triggers), credit risk rating changes and reasonable and supportable information which allows the Group to identify whether the credit risk of financial assets has significantly increased.

Inputs, assumptions and estimation techniques
The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD), defined as follows:

- *Probability of default*
  The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months, or over the remaining life of the obligation. PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the

contractual maturities of exposures. The 12-months and lifetime PD represent the expected point-in-time probability of a default over the next 12 months and remaining lifetime of the financial instrument, respectively, based on conditions existing at the balance sheet date and future economic conditions that affect credit risk.

- *Loss given default*
  Loss Given Default represents the Group's expectation of the extent of loss on a defaulted exposure, taking into account the mitigating effect of collateral, its expected value when realized and the time value of money. LGD varies by type of counterparty, type of seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of EAD.

- *Exposure at default*
  EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months or over the remaining lifetime.

The ECL is determined by projecting the PD, LGD, and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis. The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by customer segment.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. LGDs are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGD's are influenced by collection strategies including contracted debt sales and price.

The assumptions underlying the ECL calculation such as how the maturity profile of the PDs change are monitored and reviewed on a quarterly basis.

Simplified approach for trade receivables and contract assets
The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the industrial segment, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

Incorporation of forward-looking information
The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

The base case represents a most-likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Group carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Group has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

The macro-economic variables include the following key indicators for the Philippines: unemployment rates, inflation rates, gross domestic product growth and net personal income growth.

Predicted relationship between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past 5 years. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

The Group has not identified any uncertain event that it has assessed to be relevant to the risk of default occurring but where it is not able to estimate the impact on ECL due to lack of reasonable and supportable information.

An increase in the Group's allowance for ECL of trade and other receivables will increase the Group's recorded expenses and decrease current assets. As of December 31, 2018, allowance for ECL amounted to ₱2.5 billion. Trade and other receivables, net of allowance for ECL, amounted to ₱33.7 billion as of December 31, 2018 (see Note 5).

Estimating allowance for inventory obsolescence

The Group estimates the allowance for inventory obsolescence based on the age of inventories. The amounts and timing of recorded expenses for any period would differ if different judgments or different estimates are made. An increase in allowance for inventory obsolescence would increase recorded expenses and decrease current assets. As of December 31, 2018 and 2017, allowance for inventory obsolescence amounted to ₱103.4 million and ₱64.1 million, respectively. The carrying amount of the inventories, net of valuation allowance, amounted to ₱22.1 billion and ₱12.5 billion as of December 31, 2018 and 2017, respectively (see Note 6).

Estimating asset retirement obligation

Under the Geothermal Resource Service Contract (GRSC), the Group has a legal obligation to decommission, abandon and perform surface rehabilitation on its steam field asset at the end of its useful life. The Group also has a legal obligation under its land lease agreements to decommission the power plants at the end of its lease term. The Group recognizes the present value of the obligation to decommission the plant, abandon and perform surface rehabilitation of the steam field asset and capitalizes the present value of this cost as part of the balance of the related property, plant and equipment, which are being depreciated and amortized on a straight-line basis over the useful life of the related asset.

These costs are accrued based on in-house estimates, which incorporates estimates of the amount of obligations and interest rates, if appropriate. Assumptions used to compute the provision are reviewed and updated annually. Each year, the provision is increased to reflect the accretion of discount and to accrue an estimate for the effects of inflation, with charges being recognized as accretion expense, included under “Interest expense” in the consolidated statement of income.

Changes in the asset retirement obligation that result from a change in the current best estimate of cash flows required to settle the obligation or a change in the discount rate are added to (or deducted from) the amount recognized as the related asset and the periodic unwinding of the discount on the liability is recognized in the consolidated statement of income as it occurs.

While the Group has made its best estimate in establishing the decommissioning provision, because of potential changes in technology as well as safety and environmental requirements, plus the actual time scale to complete decommissioning activities, the ultimate provision requirements could either increase or decrease significantly from the Group’s current estimates.

The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

Asset retirement obligation amounted to ₱3.7 billion and ₱3.0 billion as of December 31, 2018 and 2017, respectively (see Note 21).

Recognition of deferred income tax assets
The Group reviews the carrying amounts of deferred income tax assets at each balance sheet date and reduces deferred income tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax assets to be utilized. The Group has net deferred income tax assets amounting ₱2.3 billion and ₱1.5 billion as of December 31, 2018 and 2017, respectively (see Note 31).

The Company did not recognize its deferred income tax assets on NOLCO generated in 2018 and 2017 amounting to ₱802.8 million and ₱966.0 million, respectively, and on MCIT paid in 2018 and 2017 amounting to ₱31.9 million and ₱25.2 million, respectively. Likewise, AP parent company did not recognize its deferred income tax assets on NOLCO amounting to ₱1.1 billion and ₱647.9 million as of December 31, 2018 and 2017, respectively, and on MCIT amounting to ₱49.1 million and ₱44.4 million as of December 31, 2018 and 2017, respectively (see Note 31).

Pension benefits
The costs of defined benefit pension plans, as well as the present value of the pension obligation, are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each balance sheet date.

Net benefit expense amounted to ₱318.6 million in 2018, ₱350.9 million in 2017 and ₱320.5 million in 2016. The net benefit asset as at December 31, 2018 and 2017 amounted to ₱158.6 million and ₱177.0 million, respectively (see Note 30). Net pension liabilities as of December 31, 2018 and 2017 amounted to ₱486.2 million and ₱400.3 million, respectively (see Note 30).

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

Further details about the assumptions used are provided in Note 30.

Fair value less estimated costs to sell of biological assets
The Group determines the most reliable estimate of fair value less estimated costs to sell of its biological assets. Fair value reflects the most recent market transaction price provided that there has been no significant change in economic circumstances between the date of transaction and balance sheet date. Point-of-sale cost is estimated based on recent transactions and is deducted from the fair value in order to measure the biological assets at balance sheet date.

As of December 31, 2018 and 2017, the carrying value of the biological assets amounted to ₱1.17 billion and ₱1.06 billion, respectively (see Note 8).

Fair value of financial instruments
When the fair values of financial assets and financial liabilities recorded in the consolidated balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 36 for further disclosures.

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently re-measured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows.

Revaluation of investment properties
The Group carries its investment properties at fair value, with changes in fair value being recognized in the consolidated statement of income. The Group engaged an independent valuation specialist to assess the fair values of these properties. For these assets, the valuation methodology used was Sales Comparison Approach. This method considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison (see Note 14).

Legal contingencies
The estimate of probable costs for the resolution of possible claims has been developed in consultation with outside counsels handling the Group's defense in these matters and is based upon an analysis of potential results. No provision for probable losses arising from legal contingencies was recognized in the Group's consolidated financial statements for the years ended December 31, 2018, 2017 and 2016.

4. Cash and Cash Equivalents

	2018	2017
Cash on hand and in banks	**₱14,866,870**	₱13,080,148
Short-term deposits	**44,166,159**	51,790,066
	₱59,033,029	₱64,870,214

Cash in banks earn interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. Interest income earned from cash and cash equivalents amounted to ₱1.5 billion, ₱1.3 billion and ₱1.4 billion in 2018, 2017, and 2016, respectively (see Note 35).

5. Trade and Other Receivables

	2018	2017
Trade receivables (see Note 35)		
Power	**₱14,717,574**	₱16,338,622
Real estate	**3,982,424**	3,654,299
Food manufacturing	**2,913,959**	2,344,307
Holding and others	**5,612,256**	646,368
Financial services	**–**	266,312
	27,226,213	23,249,908
Nontrade receivables	**6,967,769**	461,527
Accrued revenues	**3,493,246**	724,820
Dividends receivable (see Note 10)	**665,783**	792,000
Advances to contractors	**148,300**	105,690
Others	**1,191,295**	1,395,939
	39,692,606	26,729,884
Less allowance for expected credit losses	**2,455,396**	1,956,174
	37,237,210	24,773,710
Less noncurrent portion	**3,441,898**	580,925
	₱33,795,312	₱24,192,785

Trade receivables, except real estate receivables, are generally non-interest bearing and on 10 - 30 days' terms.

For terms and conditions relating to related party receivables, refer to Note 34.

Non-trade receivables include advances to partners in GMCP and PSALM adjustment recoverable from the customers of distribution subsidiaries. These advances are subject to offset against any cash dividends declared by GMCP and due to the partners. PSALM adjustment refers to the current and non-current portions of the amounts pertaining to Generation Rate Adjustment Mechanism (GRAM) and Incremental Currency Exchange Rate Adjustment (ICERA) which, as granted by the ERC, are to be recovered from the customers and to be remitted to PSALM.

Other receivables include accrued interest income.

Trade Receivables of Real Estate Group
Contractual maturities of trade receivables from sale of real estate inventories range from 1 to 180 months. Current and noncurrent portion of these receivables amount to ₱3.0 billion and ₱258.8 million, respectively, as of December 31, 2018, and ₱3.1 billion and ₱580.9 million, respectively, as of December 31, 2017.

Trade receivables include contract assets amounting to ₱754.9 million as of December 31, 2018. Contract assets represent excess of recognized revenues from contracts with real estate customers determined based on percentage-of-completion, against amounts billed to customers. The movements of this account for the year ended December 31, 2018 are shown below:

Adjustments due to PFRS 15 adoption (see Note 3):	
Reclassification from trade and other receivables	₱2,827,104
Reclassification from trade receivables- net of current portion	350,248
Effect of exclusion of land costs in determination of POC rate	(130,048)
	3,047,304
Less allowance for impairment	3,534
At January 1	3,043,770
Movements for the year:	
Billed revenues recognized in prior years	(2,387,210)
Unbilled revenues for the year	98,479
Provision for expected credit losses for the year	(147)
At December 31	₱754,893

The rollforward analysis of allowance for expected credit losses as of December 31, 2018 and allowance for doubtful accounts under PAS 39 as of December 31, 2017 is presented below:

December 31, 2018

	Trade Receivables				
	Power	Food Manufacturing	Real Estate	Holding and Others	Total
At beginning of year	**₱1,774,838**	**₱102,360**	**₱62,033**	**₱16,943**	**₱1,956,174**
Add adjustment due to PFRS 9 adoption (see Note 2)	**86,936**	**–**	**40,198**	**–**	**127,134**
At beginning of year, as restated	**1,861,774**	**102,360**	**102,231**	**16,943**	**2,083,308**
Acquisition of a subsidiary	**–**	**–**	**–**	**615,964**	**615,964**
Provisions (see Note 27)	**235,818**	**14,668**	**2,556**	**50,336**	**303,378**
Write-off	**(347,601)**	**(3,953)**	**(216)**	**(17,611)**	**(369,381)**
Reversals/recovery	**–**	**(13,644)**	**(1,736)**	**(162,493)**	**(177,873)**
At end of year	**₱1,749,991**	**₱99,431**	**₱102,835**	**₱503,139**	**₱2,455,396**

December 31, 2017

	Trade Receivables				
	Power	Food Manufacturing	Real Estate	Holding and Others	Total
At beginning of year	₱1,761,636	₱109,305	₱2,293	₱5,798	₱1,879,032
Provisions (see Note 27)	77,708	5,942	59,740	11,145	154,535
Write-off	(64,506)	(10,487)	–	–	(74,993)
Reversals/recovery	–	(2,400)	–	–	(2,400)
At end of year	₱1,774,838	₱102,360	₱62,033	₱16,943	₱1,956,174

Reversals of allowance for impairment losses are presented as part of "Others - net" under "Other income (expense)- net" account in the consolidated statements of income.

6. **Inventories and Land and Improvements**

Inventories

	2018	2017
At cost:		
Fuel and lubricants	**₱3,521,390**	₱3,294,622
Materials, parts and supplies	**3,297,723**	2,362,186
Real estate inventories	**4,417,009**	2,257,682
Raw materials	**2,336,914**	984,614
Finished goods (see Note 27)	**1,752,729**	317,007
At NRV:		
Wheat grains and other raw materials	**5,670,435**	2,416,762
Materials, parts and supplies	**1,107,234**	820,462
	₱22,103,434	₱12,453,335

A summary of the movement in real estate inventories is set out below:

	2018	2017
Real estate inventories:		
At January 1	**₱2,257,682**	₱1,984,725
Add adjustment due to PFRS 15 adoption (see Note 2)	**188,010**	–
At January 1, as adjusted	**2,445,692**	1,984,725
Construction/development costs incurred	**2,252,236**	1,191,597
Land costs transferred from land and improvements	**1,423,378**	184,751
Borrowing costs capitalized	**127,482**	102,851
Contract cost asset related to capitalized sales commissions	**91,825**	–
Transfers to other noncurrent assets	**(2,665)**	–
Reversal of capitalized commission related to forfeited units	**(13,859)**	–
Transfers to investments properties	**(35,695)**	–
Amortization of capitalized contract cost asset (recognized as cost of real estate inventories sold)	**(77,656)**	–
Cost of real estate inventories sold	**(1,793,729)**	(1,825,570)
Transfers from property and equipment	**–**	422,649
Land acquired during the period	**–**	196,679
At December 31	**₱4,417,009**	₱2,257,682

The cost of inventories recognized as part of cost of generated power in the consolidated statements of income amounted to ₱29.4 billion in 2018, ₱22.3 billion in 2017 and ₱12.2 billion in 2016 (see Notes 26 and 27). The cost of inventories recognized as part of operations and maintenance in the consolidated statements of income amounted to ₱286.7 million in 2018, ₱412.1 million in 2017 and ₱572.5 million in 2016 (see Note 27).

Cost of real estate inventories sold amounted to ₱1.9 billion, ₱1.8 billion in 2018 and 2017, and ₱1.1 billion 2016.

Allowance for inventory obsolescence amounted to ₱103.4 million and ₱64.1 million as of December 31, 2018 and 2017, respectively. The amount of provision for inventory obsolescence and losses recognized as expense amounted to ₱1.0 million in 2018, ₱11.9 million in 2017 and ₱11.1 million in 2016 (see Note 27).

Cost of inventories carried at NRV amounted to ₱6.8 billion and ₱3.2 billion as of December 31, 2018 and 2017, respectively.

Total borrowing costs capitalized as part of the real estate projects amounted to ₱127.5 million and ₱102.9 million in 2018 and 2017, respectively (see Note 19). The general capitalization rates are 4.11% in 2018 and 3.83% in 2017.

Land and Improvements

	2018	2017
Cost		
At January 1	**₱3,689,677**	₱3,525,381
Additions	**387,780**	444,907
Transfers to real estate inventories	**(1,423,378)**	(184,751)
Transfers to investment properties	**(264,569)**	(94,349)
Other transfers/adjustments	**(47,873)**	(1,511)
Disposal	**(1,524)**	–
At December 31	**₱2,340,113**	₱3,689,677

7. Other Current Assets

	2018	2017
Restricted cash	**₱5,289,145**	₱2,642,327
Prepaid expenses	**4,896,331**	5,575,689
Input VAT	**3,043,641**	2,260,927
Advances to NGCP	**1,725,176**	–
Biological assets (see Note 8)	**1,033,992**	917,563
Others	**2,000,780**	1,046,010
	₱17,989,065	₱12,442,516

Restricted cash represents proceeds from sale of power under the control of trustees of the lenders as per loan agreement (see Note 19). The asset will be used to pay the current portion of loans payable and interest payments in the following period.

Advances to NGCP pertain to the cost of construction and installation of substation and transmission facilities which are subject for reimbursement after completion of the project.

"Others" include prepayments to regulatory agencies and advances to suppliers.

8. Biological Assets

	2018	2017
Presented under Other Current Assets:		
Market hogs	**₱660,851**	₱585,216
Piglets	**251,825**	251,868
Growing stocks	**119,258**	75,269
Others	**2,058**	5,210
	1,033,992	917,563
Presented under Other Noncurrent Assets:		
Bearers (breeders) (see Note 16)	**134,144**	144,263
	₱1,168,136	₱1,061,826

As of December 31, 2018 and 2017, biological assets are measured at fair value under Level 3 input. Fair values are determined based on average market selling prices at balance sheet date. Market hogs, piglets, growing stocks, bearers (breeders), and others are measured at fair value less estimated costs to sell.

As of December 31, 2018 and 2017, the fair value of biological assets amounted to ₱1.17 billion and ₱1.06 billion, respectively (see Notes 7 and 16).

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

The reconciliation of changes in the carrying amount of consumable biological assets follows:

	2018	2017
At beginning of year	**₱1,061,826**	₱756,303
Additions	**1,968,022**	1,920,849
Additions due to acquisition of a subsidiary (see Note 9)	**56,050**	–
Sales at fair value	**(2,501,841)**	(2,410,542)
Transferred to breeding herd	**(168,481)**	(146,915)
Increase in fair value (see Note 29)	**752,560**	942,131
At end of year	**₱1,168,136**	₱1,061,826

Consumable biological assets are included under “Other current assets” account while bearers are included under “Other noncurrent assets” account in the consolidated balance sheets (see Notes 7 and 16).

9. Acquisitions and Disposals of Shares of Stock

a. Acquisition of Gold Coin Management Holdings Ltd. (GCMH)

On July 27, 2018, Pilmico International Pte. Ltd. (PILMICO International), a 100%-owned subsidiary of AEV, acquired 75% equity interest in GCMH at a cash consideration of USD333.8 million or ₱18.1 billion.

GCMH is engaged in the business of animal feeds manufacturing, which it carries out through various subsidiaries operating 21 feed mills situated in seven countries in the Asia Pacific.

The following are the provisional fair values of the identifiable assets and liabilities assumed on acquisition date:

Assets:	
Cash and cash equivalents	₱1,913,264
Trade and other receivables	3,929,490
Inventories	5,740,702
Other current assets	626,617
Property, plant, and equipment	4,779,721
Other noncurrent assets	2,605,214
	19,595,008
Liabilities:	
Trade and other payables	9,206,785
Bank loans	2,352,961
Long-term debt	2,366,786
Other noncurrent liabilities	773,759
	14,700,291
Total identifiable net assets at fair value	₱4,894,717

Total consideration	₱18,124,991
Fair value of noncontrolling interest	2,292,747
	20,417,738
Goodwill	₱15,523,021

Cash flow on acquisition:	
Net cash acquired with the subsidiary	₱1,913,264
Cash paid	(18,124,991)
Net cash outflow	(₱16,211,727)

The accounting for this business combination was determined provisionally as PILMICO International is still finalizing the fair valuation of the nonfinancial assets acquired.

The Group expects to recognize significant goodwill arising from this acquisition because of the business synergies that will materialize with one of the Group's subsidiaries engaged in similar business.

In 2018, GCMH contributed ₱18.1 billion to the consolidated revenue and ₱513.2 million to the net income of the Group from the date of acquisition. If the combination had taken place at the beginning of 2018, the Group's revenue would have been ₱211.2 billion and consolidated net income would have been ₱22.8 billion.

b. Acquisition PAN JSC

On July 29, 2017, PILMICO International acquired 70% equity interest in PAN JSC, an animal feeds company organized under the laws of Vietnam, for a total consideration of ₱162.7 million.

The purchase of PAN JSC was treated as a business combination accounted for under the acquisition method. PILMICO International elected to measure the non-controlling interest at its proportionate share in PAN JSC's identifiable net assets.

In 2017, PAN JSC contributed ₱131.8 million to the consolidated revenue and ₱1.5 million to the net income of the Group from the date of acquisition. If the combination had taken place at the beginning of 2017, the Group's revenue would have been ₱154.8 billion and net income would have been ₱21.6 billion.

In 2018, the purchase price allocation in the acquisition of PAN JSC was finalized. No changes were made on the provisional accounting done in 2017.

c. Step-acquisition of Sacasun

In 2014, ARI, a 100%-owned subsidiary of AP, entered into a joint framework agreement to develop solar photovoltaic projects in the Philippines. Pursuant to their agreement, SunEdison Inc. (SEI), the ultimate parent company of SunE BV and Helios BV, and ARI invested in MHSCI and Sacasun for the 59-MWp solar project in San Carlos City, Negros Occidental.

On December 4, 2017, AboitizPower International Pte. Ltd. (API), signed a Share Purchase Agreement ("SPA") with SunE Solar B.V. (SunE BV) for the acquisition of 100% equity interest in Sunedison Philippines Helios BV (Helios BV). The offshore execution of the Deed of Transfer is subject to certain closing conditions under the SPA. These conditions were met on December 27, 2017.

The transaction resulted in API owning all the issued and outstanding shares of Helios BV, which owns a 40% equity interest in each of MHSCI and Sacasun. MHSCI owns 25% of Sacasun. This allows AP to increase its indirect ownership interest in MHSCI and Sacasun to 100%. The transaction was accounted for as a business combination achieved in stages. The fair value of the of the previously-held interest as at the date of acquisition is ₱330.9 million.

The resulting bargain purchase gain of ₱328.7 million and the loss on remeasurement of previously held interest of ₱18.5 million are included in other income as "Bargain purchase gain" in the 2017 consolidated statement of income. The bargain purchase gain is mainly due to the purchase price reflecting the ongoing difficulty of SEI as confirmed by its bankruptcy declaration which affected its ability to fulfill loan obligations.

In 2017, Sacasun contributed nil to the consolidated revenue and a net loss contribution to the Group amounted to ₱399.7 million. If the combination had taken place at the beginning of 2017, the Group's revenue would have been ₱150.4 billion and consolidated net income would have been ₱29.7 billion.

In 2018, the purchase price allocation in the step-acquisition of Sacasun was finalized. No changes were made on the provisional accounting done in 2017.

d. GNPower acquisition
On October 4, 2016, TPI finalized the purchase and sale agreements for the acquisition of the partnership interests held by affiliated investment funds of The Blackstone Group L.P. which own indirectly the majority and minority interests in GMCP and GNPower Dinginin Ltd. Co. (GNPD), respectively. The Philippine Competition Commission and the Board of Investments approved the acquisition on December 19, 2016 and November 21, 2016, respectively.

GMCP
GMCP owns and operates the Mariveles subcritical coal-fired power plant, consisting of two units totaling 604 MW. The plant is located in Mariveles, Bataan and started commercial operations in 2014. TPI acquired the 82.82% indirect interest in GMCP through its acquisition of Therma Mariveles Holdings L.P (see Note 2).

The accounting for this business combination recognized in the December 31, 2016 consolidated financial statements was finalized in 2017. The business combination resulted to an increase in fair value of property, plant and equipment amounting to ₱342.8 million, increase in fair value of long-term debt amounting to ₱1.6 billion, decrease in the deferred tax asset of ₱434.1 million, a decrease in the derivative asset of ₱752.3 million, increase in the non-controlling interest of ₱579.8 million, and an increase in the goodwill recognized amounting to ₱3.08 billion. The goodwill can be attributed to GMCP's current workforce and operating capabilities.

In 2016, GMCP contributed ₱663.8 million to the consolidated revenue and ₱326.1 million to the net income of the Group. If the combination had taken place at the beginning of 2016, the Group's revenue would have been ₱90.33 billion and consolidated net income would have been ₱28.28 billion.

GNPD
GNPD is the project company established to develop, finance, design, engineer, construct, complete, maintain, own and operate the proposed supercritical coal-fired power project located also in Bataan. The GNPD project is currently under development and consists of up to two units totaling 668 MW. TPI acquired the 50.00% indirect interest in GNPD through its acquisition of Therma Dinginin L.P.

e. Step-acquisition of EAUC
EAUC is a Philippine Economic Zone Authority (PEZA) registered power generation company, which provides electric power to PEZA economic zones in Lapu-Lapu City and Balamban, province of Cebu. Prior to the acquisition, EAUC was 50% owned by the Company and 50% owned by El Paso Philippines Energy Company, Inc. (EPPECI).

In June 2016, TPI acquired 50% ownership interest in EAUC from EPPECI. As a result of the acquisition, EAUC became a wholly owned subsidiary of the Company. The transaction was accounted for as a business combination achieved in stages. In 2017, the purchase price allocation in the step- acquisition of EAUC was finalized. No changes were made on the provisional accounting done in 2016.

The resulting bargain purchase gain of ₱34.2 million and the gain on remeasurement of previously held interest of ₱316.7 million are included in other income as “Bargain purchase gain” in the 2016 consolidated statement of income.

In 2016, EAUC contributed ₱415.8 million to the consolidated revenue and ₱92.5 million to the net income of the Group. If the combination had taken place at the beginning of 2016, the Group’s revenue would have been ₱74.32 billion and consolidated net income would have been ₱24.76 billion.

f. Sale of PETNET in 2018

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. (UPI). CitySavings and UPI are 99.77% and 100% owned by Union Bank of the Philippines (UnionBank), respectively. UnionBank is a banking associate of AEV. 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.

This acquisition by CitySavings and UPI was payable in cash, and required both approvals of the Philippine Competition Commission (PCC) and the Bangko Sentral ng Pilipinas (BSP).
On May 8, 2018, the PCC granted its approval.

After securing the BSP approval on December 12, 2018, the parties signed on December 17, 2018 the Deeds of Absolute Sale setting forth the final terms and conditions of the sale, including the total consideration of ₱1.2 billion. Accordingly, PETNET was deconsolidated from the December 31, 2018 consolidated financial statements of the Group, and a gain on sale of PETNET amounting to ₱166.89 million was reported under “Other income (expense) - net” in the 2018 consolidated statement of income.

10. **Investments and Advances**

	2018	2017 (As restated)
Acquisition cost:		
Balance at beginning of year	**₱63,458,834**	₱62,563,115
Additions during the year	**7,875,182**	1,773,729
Acquisition of a subsidiary (see Note 9)	**54,334**	–
Step acquisition of subsidiary (Note 9)	**–**	(878,010)
Balance at end of year	**71,388,350**	63,458,834
Accumulated share in net earnings:		
Balances at beginning of year, as previously reported	**32,020,150**	28,599,982
Share in restatement of an associate	**(312,784)**	(312,784)
Cumulative share in impact of PFRS 9 adoption by an associate (see Notes 2 and 3)	**923,969**	–
Balances at beginning of year, as restated	**32,631,335**	28,287,198
Share in net earnings for the year	**7,727,663**	9,053,733
Step acquisition of subsidiary (see Note 9)	**–**	528,698
Cash dividends received and receivable	**(5,144,481)**	(6,162,263)
Balance at end of year, as restated	**35,214,517**	31,707,366
Gain on dilution (see Note 2)	**1,014,136**	1,014,136
Share in net unrealized mark-to-market gains on FVOCI investments of associates		
At beginning of year, as previously reported	**–**	–
Cumulative share in impact of PFRS 9 adoption by an associate (see Notes 2 and 3)	**123,816**	–
At beginning of year, as restated	**123,816**	–
Additions during the year	**14,293**	–
Balance at end of year	**138,109**	–
Share in cumulative translation adjustments of associates and joint ventures	**319,631**	(144,508)
Share in actuarial losses on retirement benefit plan of associates and joint ventures	**(457,017)**	(569,248)
Share in net unrealized mark-to-market losses on AFS investments of associates (see Note 2)		
At beginning of year, as previously reported	**(3,200,871)**	(3,200,871)
Cumulative share in impact of PFRS 9 adoption by an associate (see Notes 2 and 3)	**3,200,871**	–
Share in net unrealized mark-to-market losses on AFS investments of associates at beginning of year, as restated	**–**	(3,200,871)
	107,617,726	92,265,709
Advances to associates	**22,562**	24,614
	107,640,288	92,290,323
Less allowance for impairment losses (see Note 3)	**680,731**	680,731
	₱106,959,557	₱91,609,592

The rollforward of the share in net unrealized mark-to-market losses on AFS investments of associates follows:

	2018	2017
At January 1	**(₱3,200,871)**	(₱3,903,435)
Cumulative share in impact of PFRS 9 adoption by an associate (see Notes 2 and 3)	**3,200,871**	–
Unrealized valuation losses	**–**	573,135
Realized valuation gains	**–**	129,429
At December 31	**(₱–)**	(₱3,200,871)

The Group's investees and the corresponding equity ownership are as follows:

	Nature of Business	**2018**	2017	2016
MORE* (see Note 3)	Holding	**83.33%**	83.33%	83.33%
AEV CRH (see Note 3)	Holding	**60.00**	60.00	60.00
Cebu District Property Enterprise, Inc. (CDPEI)*	Real estate	**50.00**	50.00	50.00
Accuria, Inc.**	Holding	**49.54**	49.54	49.54
Union Bank of the Philippines (UBP)	Banking	**49.36**	48.83	48.83
Hijos	Holding	**46.73**	46.73	46.73
CRH ABOITIZ Holdings, Inc. (CRH ABOITIZ)	Holding	**45.00**	45.00	45.00
Mazzaraty Energy Corporation	Retail electricity supplier	**44.87**	44.87	44.87
Gold Coin Feed Mills (B) Sdn. Bhd. (see Note 9) ***	Feedmills	**20.00**	–	–
San Fernando Electric Light & Power Co., Inc. (SFELAPCO)	Power distribution	**43.78**	43.78	43.78
Pampanga Energy Ventures, Inc. (PEVI)	Holding	**42.84**	42.84	42.84
GNPD[1]**	Power generation	**45.00**	50.00	50.00
La Filipina Elektrika, Inc.**	Power generation	**40.00**	40.00	40.00
STEAG	Power generation	**34.00**	34.00	34.00
Cebu Energy Development Corp. (CEDC)	Power generation	**26.40**	26.40	26.40
Redondo Peninsula Energy, Inc. (RP Energy) **	Power generation	**25.00**	25.00	25.00
SPPC	Power generation	**20.00**	20.00	20.00
WMPC	Power distribution	**20.00**	20.00	20.00
Balibago Water Systems, Inc. (BWSI)	Water distribution	**11.14**	11.14	–
MHSCI (see Note 9)	Power generation	**–**	–	60.00
Sacasun (see Note 9)	Power generation	**–**	–	35.00

[1]GNPD changed in ownership based on the Partnership Agreement.

**Joint venture*

***No commercial operations as of December 31, 2018.*

****Registered in Malaysia and is part of GCMH Group that was acquired by Pilmico International in 2018.*

Unless otherwise indicated, the principal place of business and country of incorporation of the Group's associates and joint ventures are in the Philippines.

All ownership percentages presented in the table above are direct ownership of the Group except for SFELAPCO. PEVI has direct ownership in SFELAPCO of 54.83% while the Group's direct ownership in SFELAPCO is 20.29% resulting to the Group's effective ownership in SFELAPCO of 43.78%.

As of December 31, 2018 and 2017, the undistributed earnings of the associates and joint ventures included in the Group's retained earnings are not available for distribution to the stockholders unless declared by the associates and joint ventures (see Note 24).

<u>2018</u>

UBP

In 2018, the Company purchased, through stock rights offer, 80.8 million shares at ₱62.97 per share in UBP for a total consideration of ₱5.1 billion. Additional shares were acquired at various dates in 2018 for 3.2 million shares for a total consideration of ₱289.9 million. As a result, its ownership in UBP increased from 48.83% in 2017 to 49.36% in 2018.

In 2018, UBP has changed the accounting for certain upfront fees on loans and discounts from outright income recognition as services charges, fees and commissions to amortizing the fees to interest income over the expected life of the loans using the effective interest rate method. The changes have been accounted for retroactively and resulted to a decrease in the investments and advances and retained earnings accounts in the consolidated financial statements amounting to

₱312.8 million as of December 31, 2017/January 1, 2018 and December 31, 2016/January 1, 2017. There is no material impact on net income of the Group for the years ended December 31, 2017 and 2016.

GNPD
In 2018, the Group, through TPI, made capital contributions to GNPD amounting to US$47.0 million (₱2.50 billion).

2017

RPEI
In January 2017, the Group, through TPI, subscribed and paid for additional shares of Redondo Peninsula Energy, Inc. (RPEI) amounting to ₱243.8 million.

GNPD
In 2017, the Group, through Therma Dinginin BV, made capital contributions to GNPD amounting to US$23.8 million (₱1.3 billion).

BWSI
In August 2017, the Group, through Aboitiz Infracapital, acquired an 11.14% ownership in BWSI from SFELAPCO. The consideration amounting to ₱274.7 million was paid in cash. BWSI is primarily engaged to build, operate and manage water system utilities of various local government units.

The detailed carrying values of investees, which are accounted for under the equity method, follow:

	2018	2017 (As restated)
UBP	**₱46,337,986**	₱33,658,026
AEV CRH	**24,450,287**	24,864,898
GNPD	**14,789,971**	12,251,529
MORE	**10,235,695**	9,926,376
STEAG	**4,185,758**	3,787,507
CEDC	**3,192,609**	3,019,192
CDPEI	**1,464,124**	1,476,052
SFELAPCO/PEVI	**857,368**	889,166
RP Energy	**528,383**	714,191
CRH ABOITIZ	**492,464**	311,511
BWSI	**295,889**	287,443
WMPC	**106,524**	112,420
SPPC	**81,856**	86,537
Others	**230,865**	200,132
	₱107,249,779	₱91,584,980

The fair value of the investment in UBP for which there is a published price quotation amounted to ₱38.4 billion and ₱44.8 billion as of December 31, 2018 and 2017, respectively.

Following is the summarized financial information of significant associates and joint ventures:

	2018	2017	2016
UBP			
Total current assets	**₱90,653,142**	₱132,590,855	₱129,052,429
Total noncurrent assets	**583,129,543**	482,460,244	386,790,707
Total current liabilities	**(538,299,718)**	(515,959,783)	(449,645,054)
Total noncurrent liabilities	**(44,522,066)**	(32,165,000)	(7,200,000)
Equity attributable to equity holders of UBP Parent Company	**₱90,417,723**	₱66,871,569	₱58,977,766
Gross revenue	**₱31,629,220**	₱24,586,366	₱20,105,820
Operating profit	**8,497,725**	10,679,786	12,012,290
Net income attributable to equity holders of the parent	**7,316,102**	8,405,016	10,094,621
Other comprehensive income attributable to equity holders of the parent	**7,581,026**	9,904,656	9,452,512
Group's share in net income	**₱3,599,941**	₱4,103,964	₱4,913,926
AEV CRH			
Total current assets	**₱7,184,970**	₱8,777,452	₱5,885,378
Total noncurrent assets	**83,802,263**	79,788,878	74,560,302
Total current liabilities	**(29,392,890)**	(25,575,956)	(18,189,288)
Total noncurrent liabilities	**(21,384,054)**	(21,844,669)	(21,723,645)
Equity attributable to equity holders of AEV CRH Parent Company	**₱40,233,724**	₱41,145,705	₱40,508,670
Gross revenue	**₱25,810,769**	₱24,853,225	₱26,693,275
Operating profit	**2,775,116**	4,041,005	3,973,198
Net income (loss) attributable to equity holders of the parent	**(690,801)**	360,992	1,790,981
Group's share in net income (loss)	**(₱414,481)**	₱216,595	₱1,074,589
GNPD			
Total current assets	**₱1,705,863**	₱2,486,668	₱533,725
Total noncurrent assets	**40,707,048**	16,762,108	6,593,952
Total current liabilities	**(3,342,924)**	(539,651)	(131,137)
Total noncurrent liabilities	**(29,473,440)**	(14,242,279)	(4,537,895)
Equity	**₱9,596,547**	₱4,466,846	₱2,458,645
Operating loss	**(₱352,858)**	(₱251,703)	(₱185,945)
Net loss	**(68,174)**	(376,336)	(5,907)
Group's share in net loss	**(₱15,435)**	(₱188,167)	(₱2,953)
Additional information:			
Cash and cash equivalents	**₱911,642**	₱1,869,486	₱181,026
Noncurrent financial liabilities	**29,473,440**	14,019,562	4,489,160

(Forward)

	2018	2017	2016
MORE			
Total current assets	**₱141,293**	₱126,125	₱149,022
Total noncurrent assets	**12,196,002**	11,889,592	11,688,969
Total current liabilities	**(54,462)**	(56,336)	(96,106)
Total noncurrent liabilities	**–**	–	(5,190)
Equity	**₱12,282,833**	₱11,959,381	₱11,736,695
Gross revenue	**₱180,236**	₱170,236	₱170,236
Operating profit	**4,133,911**	4,893,753	2,601,566
Net income	**4,125,996**	4,891,630	2,573,164
Other comprehensive income	**96,116**	55,115	145,426
Group's share in net income	**₱3,439,589**	₱4,160,480	₱2,164,217
Additional information:			
Cash and cash equivalents	**₱31,873**	₱16,134	₱39,817
STEAG			
Total current assets	**₱3,459,931**	₱2,688,544	₱2,608,136
Total noncurrent assets	**10,477,098**	10,348,729	10,721,862
Total current liabilities	**(1,672,896)**	(1,394,855)	(2,018,724)
Total noncurrent liabilities	**(3,262,770)**	(3,453,496)	(3,651,920)
Equity	**₱9,001,363**	₱8,188,922	₱7,659,354
Gross revenue	**₱4,468,016**	₱4,502,920	₱4,626,910
Operating profit	**1,115,567**	1,020,846	1,205,122
Net income	**687,186**	516,893	928,891
Other comprehensive income (loss)	**(37,173)**	4,750	10,321
Group's share in net income	**₱87,508**	₱25,744	₱162,426
CEDC			
Total current assets	**₱4,986,619**	₱5,419,700	₱5,666,952
Total noncurrent assets	**13,371,586**	14,308,208	14,901,921
Total current liabilities	**(2,158,754)**	(2,444,036)	(3,840,126)
Total noncurrent liabilities	**(8,943,522)**	(10,422,073)	(9,751,438)
Equity	**₱7,255,929**	₱6,861,799	₱6,977,309
Gross revenue	**₱9,728,163**	₱8,751,540	₱7,965,518
Operating profit	**3,300,164**	3,183,144	3,433,767
Net income	**1,880,853**	1,686,941	2,546,339
Other comprehensive income	**13,277**	2,451	7,188
Group's share in net income	**₱827,576**	₱742,254	₱1,120,389
SFELAPCO*			
Total current assets	**₱1,104,307**	₱1,576,530	₱1,406,869
Total noncurrent assets	**2,567,663**	2,215,130	1,996,643
Total current liabilities	**(763,966)**	(770,041)	(710,301)
Total noncurrent liabilities	**(699,175)**	(751,789)	(618,579)
Equity	**₱2,208,829**	₱2,269,830	₱2,074,632

(Forward)

	2018	2017	2016
Gross revenue	**₱4,088,124**	₱4,211,674	₱4,255,286
Operating profit	**408,160**	366,492	310,511
Net income	**302,677**	671,268	272,756
Other comprehensive income (loss)	**(63,679)**	334,246	8,671
Group's share in net income	**₱168,307**	₱323,674	₱73,415
CRH ABOITIZ			
Total current assets	**₱1,641,152**	₱411,074	₱165,802
Total noncurrent assets	**947,134**	900,780	1,085,320
Total current liabilities	**(1,820,630)**	(889,385)	(633,968)
Total noncurrent liabilities	**(28,379)**	(85,308)	(203,785)
Equity attributable to equity holders of CRH ABOITIZ Parent Company	**₱739,277**	₱337,161	₱413,361
Gross revenue	**₱11,606,618**	₱–	₱2,603,500
Operating profit (loss)	**882,680**	(1,443,313)	1,175,462
Net income attributable to equity holders of the parent	**402,116**	89,242	59,568
Group's share in net income	**₱180,952**	₱40,159	₱26,806
BWSI			
Total current assets	**₱809,074**	₱1,012,347	₱–
Total noncurrent assets	**1,843,428**	1,374,552	–
Total current liabilities	**(496,344)**	(140,734)	–
Total noncurrent liabilities	**(629,689)**	(639,673)	–
Equity	**₱1,526,470**	₱1,606,492	₱–
Gross revenue	**₱1,335,975**	₱1,191,595	₱–
Gross profit	**752,553**	705,341	–
Net income	**259,858**	465,737	–
Group's share in net income	**₱15,130**	₱17,763	₱–
WMPC			
Total current assets	**₱717,162**	₱695,571	₱555,637
Total noncurrent assets	**454,108**	418,807	305,394
Total current liabilities	**(551,781)**	(457,032)	(222,299)
Total noncurrent liabilities	**(74,341)**	(82,718)	(71,782)
Equity	**₱545,148**	₱574,628	₱566,950
Gross revenue	**₱1,393,417**	₱1,439,482	₱1,636,339
Operating profit	**13,006**	98,838	130,244
Net income	**20,521**	71,933	91,646
Other comprehensive loss	**–**	–	(9,634)
Group's share in net income	**₱4,104**	₱14,387	₱18,329

(Forward)

	2018	2017	2016
SPPC			
Total current assets	**₱182,303**	₱344,105	₱361,706
Total noncurrent assets	**311,472**	364,649	351,903
Total current liabilities	**(36,361)**	(221,096)	(42,285)
Total noncurrent liabilities	**(58,491)**	(68,326)	(66,430)
Equity	**₱398,923**	₱419,332	₱604,894
Gross revenue	**₱160,831**	₱523,854	₱632,504
Operating profit	**(19,307)**	133,508	204,593
Net income (loss)	**(23,407)**	272,756	272,756
Other comprehensive income	**–**	–	28,550
Group's share in net income (loss)	**(₱4,681)**	₱19,101	₱41,034
Sacasun			
Total current assets	**₱–**	₱–	₱838,410
Total noncurrent assets	**–**	–	3,642,924
Total current liabilities	**–**	–	(285,178)
Total noncurrent liabilities	**–**	–	(2,696,727)
Equity	**₱–**	₱–	₱1,499,429
Gross revenue	**₱–**	₱–	₱101,339
Operating loss	**–**	–	(112,596)
Net loss	**–**	–	(250,887)
Other comprehensive loss	**–**	–	–
Group's share in net loss	**₱–**	₱–	(₱87,810)
Additional information:			
Cash and cash equivalents	**₱–**	₱–	₱378,908
Noncurrent financial liabilities		–	2,696,727
Others**			
Total current assets	**₱453,445**	₱1,116,846	₱578,587
Total noncurrent assets	**2,842,300**	3,395,270	3,019,198
Total current liabilities	**(62,706)**	(16,405)	(214,628)
Total noncurrent liabilities	**(110,557)**	(5,497)	(104,248)
Gross revenue	**₱160,695**	₱133,022	₱129,808
Net income (loss)	**(727,830)**	13,318	(40,580)

** Amounts are based on appraised values which are adjusted to historical amounts upon equity take-up of the Group. Using cost method in accounting for property, plant and equipment, net income amounted to ₱952.8 million, ₱745.1 million and ₱361.8 million in 2018, 2017, and 2016, respectively, for SFELAPCO.*

***The financial information of insignificant associates and joint ventures is indicated under "Others".*

11. **Material partly - owned subsidiary**

As of December 31, 2018, the Company has 76.98% interest in AP, a holding company incorporated in the Philippines.

The summarized financial information as of December 31, 2018 and 2017 of AP is provided below:

	2018	2017	2016
Summarized comprehensive income information			
Revenue	**₱131,572,084**	₱119,391,303	₱89,163,269
Cost of sales	**71,680,298**	63,949,850	46,226,259
Administrative expenses	**23,395,104**	21,267,724	16,626,710
Finance costs - net	**11,202,073**	10,320,768	6,620,476
Other income - net	**3,064,514**	2,993,864	5,310,422
Profit before tax	**28,359,123**	26,846,825	25,000,246
Income tax	**2,925,623**	3,858,398	3,496,140
Profit for the year from continuing operations	**₱25,433,500**	₱22,988,427	₱21,504,106
Total comprehensive income	**₱26,494,498**	₱23,366,919	₱21,575,328
Summarized other financial information			
Attributable to non-controlling interests	**₱3,892,404**	₱2,749,732	₱1,450,558
Dividends paid to non-controlling interests	**2,364,492**	2,313,460	2,823,782
Summarized balance sheet information			
Total current assets	**₱88,708,607**	₱67,961,596	
Total noncurrent assets	**300,953,569**	293,515,403	
Total current liabilities	**46,815,020**	49,312,291	
Total noncurrent liabilities	**206,270,489**	188,186,244	
Equity	**₱136,576,667**	₱123,978,464	
Summarized cash flow information			
Operating cash flows	**₱37,287,900**	₱30,235,931	
Investing cash flows	**(7,243,119)**	(9,452,925)	
Financing cash flows	**(19,155,753)**	(32,122,699)	

12. **Impairment Testing of Goodwill**

Goodwill acquired through business combinations have been attributed to each business considered as cash-generating unit (CGU).

The recoverable amount of the investments has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period.

Key assumptions used in value in use calculation for December 31, 2018 and 2017
The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill.

Discount rates and growth rates
The discount rate applied to cash flow projections are from 10.63% to 18.14% in 2018 and from 11.18% to 19.94% in 2017, and cash flows beyond the five-year period are extrapolated using a zero percent growth rate.

Revenue assumptions
Revenue assumptions are based on the expected electricity to be sold. In 2018, revenue growth of 6% in year 1, 4% for the next two years, 3% in year 4 and 5% in year 5 was applied for LEZ; 9% in year 1, 5% in year 2 and 2% in the next three years for BEZ; 4% in year 1, 0% in year 2 , 2% in year 3, 7% in year 4 and 3% in year 5 for GMCP; and 45% in year 1, -1% in year 2, 0% in year 3, 11% I year 4, and -4% in year 5 was applied for HI. Revenue assumptions for LLI are based on sale of existing lots (-49% in year 1, -19% in year 2, 11% in year 3, 5% in year 4, and -6% % in year 5). VHF revenue assumptions are based on projected aqua feeds sales (26% in year 1, 6% in years 2 and 4, 11% in year 3, and 2% in year 5). PAN JSC revenue assumptions are based on forecast animal feeds sales (347% in year 1, and 4% in the next four years). GCMH revenue assumptions are based on forecast animal feeds sales (9% in year 1, and 7% in the next four years).

In 2017, revenue growth of -6% in year 1, 6% in year 2, 4% for the next two years and 3% in year 5 was applied for LEZ; -18% in year 1, 3% in the next two years, 1% in year 4 and 0% in year 5 was applied to BEZ; -1% in years 1, 2 and 4, -4% in year 3, and 7% in year 5 for GMCP; and 8% in year 1, 18% in year 2, 7% for the next two years, and -5% in year 5 was applied for HI. Revenue assumptions for LLI are based on sale of existing lots (-38% in year 1, 3% in the next three years, and -54% % in year 5). VHF revenue assumptions are based on projected aqua feeds sales (15% in year 1, 19% in year 2, 12% in year 3, -8% in year 4 and 20% in year 5). PAN JSC revenue assumptions are based on forecast animal feeds sales (365% in year 1, 167% in year 2, and 2% in the next three years). PETNET revenue assumptions are based on income from money remittance and other allied services (no growth in years 1 and 5, and 7% in years 2 to 5).

Materials price inflation
In 2018, the assumption used to determine the value assigned to the materials price inflation is 3.47% in 2019, decreases to 3.37% in 2020 and 3.10% in 2021. It then settles at 3.00% for the next 2 years until 2023. The starting point of 2019 is consistent with external information sources.

In 2017, the assumption used to determine the value assigned to the materials price inflation is 3.17% in 2018 and increases to 3.20% in 2019. It then settles at 3.00% for the next 3 years until 2022.

Foreign exchange rates
In 2018, the assumption used to determine foreign exchange rate is a steady Philippine peso at a rate of ₱55.00 to a dollar from 2019 until 2023. In 2017, the assumption used to determine foreign exchange rate is a steady Philippine peso at a rate of ₱51.41 to a dollar from 2018 until 2022.

Based on the assumptions used in impairment testing, an impairment loss on goodwill amounting to ₱45.9 million on the investment in BEZ was recognized in 2018. No impairment of goodwill was recognized in 2017. Impairment loss on goodwill amounting to ₱169.5 million on the investment in MEZ was recognized in 2016.

With regard to the assessment of value-in-use, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the goodwill to materially exceed its recoverable amount.

The carrying amount of goodwill follows:

	2018	2017
GMCP	**₱39,345,126**	₱39,345,126
GCMH (see Note 9)	**15,523,021**	–
LEZ	**467,586**	467,586
PILMICO FEEDS	**394,217**	394,217
HI	**220,228**	220,228
BEZ	**191,471**	237,404
LLI	**61,202**	61,202
PAN JSC	**59,060**	59,060
PETNET (see Note 9)	**–**	523,866
	₱56,261,911	₱41,308,689

13. Property, Plant and Equipment

	December 31, 2018										
	Building, Warehouses and Improvements	Power Plant and Equipment (see Note 21)	Transmission, Distribution and Substation Equipment	Machinery and Equipment	Transportation Equipment	Office Furniture, Fixtures and Equipment	Leasehold Improvements	Land	Construction in Progress	Others	Total
Cost											
At January 1	**₱26,193,431**	**₱141,329,134**	**₱17,438,847**	**₱6,723,759**	**₱2,293,513**	**₱6,893,434**	**₱3,614,646**	**₱2,262,109**	**₱57,029,925**	**₱2,629,876**	**₱266,408,674**
Acquisition of a subsidiary											
(see Note 9)	**2,451,374**	**–**	**–**	**3,449,674**	**246,160**	**257,914**	**–**	**208,836**	**155,930**	**–**	**6,769,888**
Additions	**139,649**	**1,496,624**	**1,121,508**	**119,083**	**297,780**	**576,289**	**36,193**	**71,165**	**8,925,356**	**97,941**	**12,881,588**
Disposals	**(181,486)**	**(461,778)**	**(18,163)**	**(17,914)**	**(113,343)**	**(95,663)**	**(1,802)**	**(4,316)**	**–**	**(40)**	**(894,505)**
Reclassifications/transfers	**153,512**	**26,028,151**	**953,741**	**209,136**	**(20,628)**	**194,057**	**(130,109)**	**(84,434)**	**(26,868,475)**	**9,108**	**444,059**
At December 31	**28,756,480**	**168,392,131**	**19,495,933**	**10,483,738**	**2,703,482**	**7,826,031**	**3,518,928**	**2,453,360**	**39,242,736**	**2,736,885**	**285,609,704**
Accumulated depreciation and amortization											
At January 1	**5,304,436**	**31,991,703**	**4,671,132**	**2,927,918**	**1,149,352**	**3,090,014**	**729,448**	**132,107**	**(722,768)**	**1,254,632**	**50,527,974**
Acquisition of a subsidiary											
(see Note 9)	**649,567**	**–**	**–**	**987,389**	**147,931**	**199,671**	**–**	**5,609**	**–**	**–**	**1,990,167**
Depreciation and amortization	**1,085,407**	**5,958,157**	**585,036**	**426,263**	**288,111**	**639,303**	**135,520**	**16,363**	**–**	**108,434**	**9,242,594**
Disposals	**(154,943)**	**(225,945)**	**(24,020)**	**(17,914)**	**(86,190)**	**(55,551)**	**(1,492)**	**–**	**–**	**(562)**	**(566,617)**
Reclassifications/transfers	**197,597**	**(95,303)**	**903**	**(29,272)**	**(40,126)**	**(70,196)**	**(112,470)**	**(620)**	**–**	**(208)**	**(149,695)**
At December 31	**7,082,064**	**37,628,612**	**5,233,051**	**4,294,384**	**1,459,078**	**3,803,241**	**751,006**	**153,459**	**(722,768)**	**1,362,296**	**61,044,423**
Impairment (see Note 29)	–	486,280	–	–	2,088	792	251	–	2,645,029	–	3,134,440
Net Book Value	**₱21,674,416**	**₱130,277,239**	**₱14,262,882**	**₱6,189,354**	**₱1,242,316**	**₱4,021,998**	**₱2,767,671**	**₱2,299,901**	**₱37,320,475**	**₱1,374,589**	**₱221,430,841**

	December 31, 2017										
	Building, Warehouses and Improvements	Power Plant and Equipment (see Note 21)	Transmission, Distribution and Substation Equipment	Machinery and Equipment	Transportation Equipment	Office Furniture, Fixtures and Equipment	Leasehold Improvements	Land	Construction in Progress	Others	Total
Cost											
At January 1	₱25,605,389	₱137,519,744	₱16,043,761	₱5,997,681	₱1,893,621	₱4,498,864	₱3,562,062	₱2,054,603	₱44,469,761	₱2,852,534	₱244,498,020
Acquisition of subsidiaries											
(see Note 9)	92,197	1,688,302	–	48,396	6,297	1,884,927	16,185	–	225,053	(18,757)	3,942,600
Additions	140,538	2,225,275	1,293,991	150,788	536,736	515,762	33,119	203,699	15,201,339	110,150	20,411,397
Disposals	(2,687)	(129,841)	(33,439)	(7,895)	(141,507)	(39,007)	(3,660)	–	–	(318,432)	(676,468)
Reclassifications/transfers	357,994	25,654	134,534	534,789	(1,634)	32,888	6,940	3,807	(2,866,228)	4,381	(1,766,875)
At December 31	26,193,431	141,329,134	17,438,847	6,723,759	2,293,513	6,893,434	3,614,646	2,262,109	57,029,925	2,629,876	266,408,674
Accumulated depreciation and amortization											
At January 1	4,322,174	26,644,783	4,191,739	2,648,183	985,638	2,210,427	587,872	115,294	(722,768)	1,277,067	42,260,409
Acquisition of subsidiaries											
(see Note 9)	6,272	359,311	–	15,666	3,046	399,150	4,586	–	–	279	788,310
Depreciation and amortization	978,265	5,104,284	514,047	278,472	240,885	544,827	138,734	16,813	–	130,142	7,946,469
Disposals	(329)	(69,617)	(33,439)	(7,895)	(103,690)	(23,947)	(2,325)	–	–	(137,911)	(379,153)
Reclassifications/transfers	(1,946)	(47,058)	(1,215)	(6,508)	23,473	(40,443)	581	–	–	(14,945)	(88,061)
At December 31	5,304,436	31,991,703	4,671,132	2,927,918	1,149,352	3,090,014	729,448	132,107	(722,768)	1,254,632	50,527,974
Impairment (see Note 29)	–	–	–	–	2,088	792	251	–	2,645,029	–	2,648,160
Net Book Value	₱20,888,995	₱109,337,431	₱12,767,715	₱3,795,841	₱1,142,073	₱3,802,628	₱2,884,947	₱2,130,002	₱55,107,664	₱1,375,244	₱213,232,540

In 2018, the Group has determined that an impairment test has to be performed on certain segments of its property, plant and equipment amounting to ₱5.44 billion. In performing an impairment test calculation, the Group determined the recoverable amount of the relevant property, plant and equipment through value in use (VIU). VIU is derived based on financial budgets prepared by senior management covering the project's entire life. Pre-tax discount rate of 16.14% - 16.71% was used.

The calculation of value in use of these property, plant and equipment are most sensitive to the following assumptions:

- Discount rate - Discount rate reflects the management's estimate of risks applicable to these projects. The benchmark used by the management to assess operating performance and to evaluate future investment proposals. In determining appropriate discount rates, consideration has been given to various market information, including, but not limited to, government bond yield, bank lending rates and market risk premium.

- Material price inflation - Estimates are obtained from published indices from which the materials are sourced, as well as data relating to specific commodities. Forecast figures are used if data is publicly available, otherwise past actual material price movements are used as an indicator of future price movement.

- Growth rate - The long-term rate used to extrapolate future cash flows excludes expansions and potential improvements in the future. Management also recognized the possibility of new entrants, which may have significant impact on existing growth rate assumptions. Management however, believes that new entrants will not have a significant adverse impact on the forecasts included in the financial budget.

The impairment test calculation has not resulted to any recognition of an impairment loss in 2018.

In 2018 and 2017, additions to power plant equipment and steam field assets include asset retirement obligation amounting to ₱560 million and ₱1.06 billion, respectively (see Note 21).

In 2018 and 2017, additions to "Construction in progress" include capitalized borrowing costs, net of interest income earned from short-term deposits, amounting to ₱2.51 billion and ₱2.62 billion, respectively (see Note 19). The rate used to determine the amount of borrowing costs eligible for capitalization ranged from 4.9% to 9.4% and 4.9% to 7.79% which are the effective interest rate of the specific borrowings in 2018 and 2017, respectively.

Property, plant and equipment with carrying amounts of ₱126.9 billion and ₱125.41 billion as of December 31, 2018 and 2017, respectively, are used to secure the Group's long-term debts (see Note 19).

Fully depreciated property, plant and equipment with cost amounting to ₱5.0 billion and ₱4.8 billion as of December 31, 2018 and 2017, respectively, are still in use.

A significant portion of the Group's property, plant and equipment relates to various projects under "Construction-in-progress" as of December 31, 2018 and 2017, as shown below:

	Estimated Cost to Complete (in millions Php)		% of Completion	
Project Company	**2018**	2017	**2018**	2017
TVI	**₱7,246**	₱10,375	**81%**	73%
Hedcor Bukidnon	**–**	2,858	**100%**	75%
PEC (see Note 10)	**–**	2,294	**100%**	87%

As of December 31, 2018, the Group classifies its transmission assets as property held for sale as an ongoing negotiation for the sale of these assets with NGCP which is expected to be consummated in 2019. The property held for sale was recorded at its recoverable amount of ₱675.8 million and the related impairment loss amounting to ₱282.3 million presented as part of "Other income (expense) - net" (see Note 29).

Property held for sale of ₱675.8 million as of December 31, 2018 pertains to transmission assets that will be transferred and sold to NGCP.

14. Investment Properties

December 31, 2018

	Land	Land Improvements	Buildings	Construction-in-Progress	Total
At January 1	**₱4,895,188**	**₱245,690**	**₱895,258**	**₱808,497**	**₱6,844,633**
Additions	**5,301**	**6,034**	**559,123**	**–**	**570,458**
Gain on fair valuation	**–**	**–**	**511,820**		**511,820**
Transfers/ adjustments	**257,593**	**(1,364)**	**850,024**	**(808,497)**	**297,756**
At December 31	**₱5,158,082**	**₱250,360**	**₱2,816,225**	**₱–**	**₱8,224,667**

December 31, 2017

	Land	Land Improvements	Buildings	Construction-In-Progress	Total
At January 1	₱3,999,741	₱238,843	₱1,133,806	₱–	₱5,372,390
Additions	186	6,996	14	–	7,196
Gain (loss) on fair valuation	948,543	–	(86,325)	–	862,218
Disposals	–	–	(136,650)	–	(136,650)
Transfers/ adjustments	(53,282)	(149)	(15,587)	808,497	739,479
At December 31	₱4,895,188	₱245,690	₱895,258	₱808,497	₱6,844,633

Rental income earned from and direct operating expenses of investment properties amounted to ₱475.4 million and ₱68.9 million, respectively, in 2018; ₱445.6 million and ₱64.0 million, respectively, in 2017; and ₱419.3 million and ₱193.4 million, respectively, in 2016 (see Note 25).

As at December 31, 2018 and 2017, the fair values of the properties are based on valuations performed by an accredited independent valuer. The valuation model in accordance with that recommended by the International Valuation Standards Committee has been applied.

The fair values of the Group's investment properties were determined as follows:

- In valuing the land, the Group used the Sales Comparison Approach. This is a comparative approach to value that considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison.

- The appraiser gathers data on actual sales and/or listings, offers, and renewal options, and identifies the similarities and differences in the data, ranks the data according to their relevance, adjusts the sales prices of the comparable to account for the dissimilarities with the unit being appraised, and forms a conclusion as to the most reasonable and probable market value of the subject property.

  The elements of comparison include location, physical characteristics, available utilities, zoning, and highest and best use. The most variable elements of comparison are the site's physical characteristics, which include its size and shape, frontage, topography and location.

  Reproduction cost is the current cost of constructing a replica of the existing structures, employing the same design and similar building materials. The current cost of an identical new item.

- In valuing the land improvements and buildings, the Group used the Cost Approach. This is a comparative approach to the value of property or another asset that considers as a substitute for the purchase of a given property, the possibility of constructing another property that is a replica of, or equivalent to, the original or one that could furnish equal utility with no undue cost resulting from delay. It is based on the reproduction or replacement cost of the subject property or asset, less total (accrued) depreciation. In the context of asset valuation, depreciation refers to the adjustments made to the cost of reproducing or replacing the asset to reflect physical deterioration, functional (technical) obsolescence and economic (external) obsolescence in order to estimate the value of the asset in a hypothetical exchange in the market when there is no direct sales evidence available. Sound value of an asset is determined by applying the two types of depreciation such as physical deterioration and functional obsolescence. Market Value reflects all the three types of depreciation.

Fair value investment properties are estimated under Level 3 inputs.

The Group has no restrictions on the realizability of its investment properties and no contractual obligations to either purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

	Fair value at December 31, 2018	**Valuation technique**	**Significant unobservable inputs**	**Range (weighted average)**
Land	**₱5,158,082**	**Sales Comparison Approach**	**Price per square meter**	₱480 - ₱270,000
Buildings and land Improvements	**3,066,585**	**Cost Approach**	**Estimated cost, remaining economic life**	15 - 38 years

	Fair value at December 31, 2017	Valuation technique	Significant unobservable inputs	Range (weighted average)
Land	₱4,895,188	Sales Comparison Approach	Price per square meter	₱280 - ₱184,768
Buildings and land Improvements	1,140,948	Cost Approach	Estimated cost, remaining economic life	15 - 35 years

For land, significant increases (decreases) in price per square meter would result in a significantly higher (lower) fair value of the properties.

For buildings and land improvements, significant increases (decreases) in estimated replacement cost and remaining economic life would result in a significantly higher (lower) fair value of the properties.

15. Intangible Asset - Service Concession Rights

	2018	2017
Cost:		
At January 1	**₱5,389,820**	₱5,199,074
Additions from internal development	**961,827**	175,607
Effect of translation	**128,727**	15,139
	6,480,374	5,389,820
Accumulated amortization:		
At January 1	**2,327,513**	1,976,951
Amortization (see Note 27)	**361,484**	351,541
Reclassifications	**–**	(979)
	2,688,997	2,327,513
	₱3,791,377	₱3,062,307

The amortization of intangible asset is included in “Depreciation and amortization” under “Operating Expenses” in the consolidated statements of income (see Note 27).

Service concession arrangements entered into by the Group are as follows:

- On November 24, 1996, LHC entered into a PPA with NPC, its sole customer, for the construction and operation of a 70-megawatt hydroelectric power generating facility (the Power Station) in Bakun River in Benguet and Ilocos Sur Provinces on a build-operate-transfer scheme. Under the PPA, LHC shall deliver to NPC all electricity generated over a cooperation period of 25 years until February 5, 2026.
-

  On the Transfer Date, as defined in the PPA, LHC shall transfer to NPC, free from any lien or encumbrance, all its rights, title and interest in and to the Power Station and all such data as operating manuals, operation summaries/transfer notes, design drawings and other information as may reasonably be required by NPC to enable it to operate the Power Station.

  Since NPC controls the ownership of any significant residual interest of the Power Station at the end of the PPA, the PPA is accounted for under the intangible asset model as LHC has the right to charge users for the public service under the service concession arrangement.

  The Power Station is treated as intangible asset and is amortized over a period of 25 years, which is the service concession period. The intangible asset with a carrying value of ₱1.97 billion and ₱2.13 billion as of December 31, 2018 and 2017 was used as collateral to secure LHC's long-term debt (see Note 19).

- On May 15, 2003, the SBMA, AEV and DLP entered into a DMSA to privatize SBMA Power Distribution System (PDS) on a rehabilitate-operate-and-transfer arrangement; and to develop, construct, lease, lease out, operate and maintain property, structures, and machineries in the Subic Bay Freeport Zone (SBFZ).

  Under the terms of the DMSA, SEZ was created to undertake the rehabilitation, operation and maintenance of the PDS (the Project), including the provision of electric power service to the customers within the Subic Bay Freeport Secured Areas of the SBFZ as well as the collection of the relevant fees from them for its services and the payment by SBMA of the service fees throughout the service period pursuant to the terms of the DMSA. The DMSA shall be effective for a 25-year period commencing on the turnover date.

  For and in consideration of the services and expenditures of SEZ, it shall be paid by the SBMA the service fees equivalent to all the earnings of the Project, provided, however, that SEZ shall remit the amount of ₱40.0 million to the SBMA at the start of every 12-month period throughout the service period, regardless of the earnings of the Project. The said remittances may be reduced by the outstanding power receivables from SBMA, including streetlights power consumption and maintenance, for the immediate preceding year.

  Since SBMA controls ownership of the equipment at the end of the agreement, the PDS are treated as intangible assets and are amortized over a period of 25 years up to year 2028, in accordance with Philippine Interpretation IFRIC 12.

The carrying value of the intangible asset arising from the service concession arrangement amounted to ₱720.3 million and ₱736.4 million as of December 31, 2018 and 2017, respectively.

- The transmission and distribution equipment of MEZ are located within Mactan Export Processing Zone (MEPZ) II. Since MCIAA controls ownership of the equipment at the end of the agreement, the equipment are treated as intangible assets and amortized over a period of 21 years up to year 2028, in accordance with Philippine Interpretation IFRIC 12.

  The carrying amount of the intangible asset arising from the service concession arrangement amounted to ₱97.2 million and ₱105.3 million as of December 31, 2018 and 2017, respectively.

- Intangible asset - service concession rights consist of the costs of construction of the treated bulk water supply facility, required for the delivery of treated bulk water to the Davao City Water District, pursuant to the concession agreement.

  The carrying amount of the intangible asset arising from the service concession arrangement amounted to ₱1.0 billion and ₱90.4 million as of December 31, 2018 and 2017, respectively.

16. Other Noncurrent Assets

	2018	2017
Input VAT and tax credit receivable, net of allowance for impairment loss of ₱253.2 million (see Note 29)	**₱5,462,983**	₱6,765,238
PSALM deferred adjustment - net of current portion (see Notes 5 and 41k)	**3,183,089**	–
Intangible assets:		
Franchise	**2,648,732**	2,725,693
Project development costs	**583,095**	395,419
Software and licenses	**365,007**	171,644
Customer contracts	**27,429**	42,838
Prepaid rent and other deposits (see Note 39)	**3,226,895**	1,171,570
Advances to contractors and projects	**1,098,747**	2,215,456
Biological assets (see Note 8)	**134,144**	144,263
Others	**1,184,846**	1,005,830
	₱17,914,967	₱14,637,951

“Others” include pre-operating costs and certain nonfinancial assets acquired (see Note 9).

The amortization of intangible assets is included in “Depreciation and amortization” under “Operating Expenses” in the consolidated statements of income.

Rollforward of intangible assets follow:

December 31, 2018

	Franchise	Project development costs	Software and licenses	Customer contracts
Balances at beginning of year	**₱2,725,693**	**₱395,419**	**₱171,644**	**₱42,838**
Additions	**–**	**594,315**	**86,948**	**–**
Acquisition of a subsidiary (see Note 9)	**–**	**–**	**208,867**	**–**
Transfer from property and equipment	**–**	**(1,036)**	**(6,928)**	**–**
Write-off - net of reversal	**–**	**(405,603)**	**(861)**	**–**
Amortization	**(76,961)**	**–**	**(93,596)**	**(15,409)**
Effect of translation	**–**	**–**	**(1,067)**	**–**
Balances at end of year	**₱2,648,732**	**₱583,095**	**₱365,007**	**₱27,429**

December 31, 2017

	Franchise	Project development costs	Software and licenses	Customer contracts
Balances at beginning of year	₱2,802,654	₱411,499	₱168,712	₱63,968
Additions	–	127,655	60,097	–
Acquisition of a subsidiary (see Note 9)	–	–	141	24,468
Transfer from property and equipment	–	–	59	–
Write-off - net of reversal	–	(143,735)	–	(24,468)
Amortization	(76,961)	–	(57,365)	(21,130)
Balances at end of year	₱2,725,693	₱395,419	₱171,644	₱42,838

The amortization of intangible assets amounting to ₱214,353, ₱157,968 and ₱135,100 in 2018, 2017 and 2016, respectively, is included in "Depreciation and amortization" under "Operating Expenses" in the consolidated statements of income (see Note 27).

17. Bank Loans

	2018	2017
Philippine peso loans	**₱24,567,200**	₱23,112,700
Chinese yuan loans	**906,726**	–
Vietnamese dong loans	**726,187**	463,615
US dollar loans	**341,770**	124,825
Indonesia rupia loans	**250,591**	–
Other foreign currency-denominated loans	**186,112**	–
	₱26,978,586	₱23,701,140

The bank loans are unsecured short-term notes payable obtained from local banks with annual interest rates ranging from 2.4% to 13.5% and 2.0% to 7.0% in 2018 and 2017, respectively. These loans will mature on various dates in 2019.

The loans are covered by the respective borrower's existing credit lines with the banks and are not subject to any significant covenants and warranties.

The Chinese yuan, Indonesia rupia and a portion of the Vietnamese dong loans are loans of GCMH which was acquired by Pilmico International on July 27, 2018.

Total interest expense on bank loans recognized in 2018, 2017 and 2016 amounted to ₱765.3 million, ₱246.8 million and ₱137.7 million, respectively (see Note 35).

18. Trade and Other Payables

	2018	2017
Trade payables (see Notes 20 and 39)	**₱19,628,410**	₱11,508,221
Nontrade and other payables	**6,217,417**	4,595,565
Accrued expenses	**5,941,747**	4,295,309
Output VAT	**2,924,074**	3,003,191
Amounts due to contractors and other third parties	**2,626,792**	1,979,367
PSALM deferred adjustment (see Note 41k)	**1,042,861**	–
Unearned revenue	**39,770**	35,874
	38,421,071	25,417,527
Less noncurrent portion (see Note 34)	**3,695,261**	880,943
	₱34,725,810	₱24,536,584

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

Nontrade payables include amounts due to PSALM pertaining to Generation Rate Adjustment Mechanism (GRAM), Incremental Currency Exchange Rate Adjustment (ICERA), and Universal Charges. Other payables represent withholding taxes, insurance liabilities and other accrual of expenses arising in the ordinary course of business and are generally payable within 12 months from the balance sheet date.

Accrued expenses include interest on borrowings, fuel and lubricant costs, taxes and licenses, freight expense, materials and supplies, and energy fees that are due within 12 months. These represent ₱4.4 billion and ₱4.0 billion of the total accrued expenses as of December 31, 2018 and 2017, respectively.

Amounts due to contractors and other third parties include liabilities arising from the power plant construction (see Note 13).

19. **Long-term Debts**

	2018		2017	
	Annual Interest Rate	**Amount**	Annual Interest Rate	Amount
Company:				
Financial and non-financial institutions - unsecured	**4.41% - 6.02%**	**₱32,000,000**	4.41% - 6.02%	₱32,000,000
Subsidiaries:				
GMCP				
Financial institutions - secured	**LIBOR + 1.7% - 4.85%**	**41,375,202**	LIBOR + 1.7% - 4.00%	30,706,949
TVI				
Financial institutions - secured	**5.50% - 9.00%**	**31,520,000**	5.50% - 6.91%	29,890,000
AP				
Financial and non-financial institutions - unsecured	**5.21% - 8.51%**	**23,200,000**	5.21% - 6.10%	13,000,000
TSI				
Financial institutions - secured	**5.05% - 5.69%**	**21,349,704**	4.50% - 5.15%	22,660,043
TPI				
Financial institutions - unsecured	**LIBOR + 1.10%**	**–**	LIBOR + 1.10%	15,153,755
APRI				
Financial institutions - secured	**4.48% to 5.20%**	**9,374,400**	4.53% to 5.20%	10,624,640
Hedcor Bukidnon				
Financial institutions - secured	**4.75% - 6.78%**	**9,327,700**	4.75% - 6.78%	9,327,700
Hedcor Sibulan				
Fixed rate corporate notes - unsecured	**4.11% to 5.42%**	**3,900,400**	4.11% to 5.32%	4,097,000
PILMICO				
Financial institutions - secured	**4.18% - 4.50%**	**2,808,500**	4.50% - 4.75%	2,830,000
PANC				
Financial institutions - secured	**4.50%**	**2,680,000**	4.50% - 4.75%	2,690,000
VECO				
Financial institution - unsecured	**4.58% - 4.81%**	**975,000**	4.49% - 4.81%	1,176,000
LHC				
Financial institutions - secured	**2.00% to 2.75%**	**875,458**	2.00% to 2.75%	1,105,950
DLP				
Financial institution - unsecured	**4.58% - 4.81%**	**731,250**	4.49% - 4.81%	882,000
HI				
Financial institution - secured	**5.25%-7.41%**	**1,840,000**	5.25%	540,000
Financial institution - secured	**7.87%**	**1,390,000**	–	–
SEZ				
Financial institution - unsecured	**5.00%**	**169,500**	5.00%	226,000
CLP				
Financial institution - unsecured	**4.58% - 4.81%**	**146,250**	4.49% - 4.81%	176,400
Apo Agua				
Financial institutions:				
Philippine peso - secured	**8.26%**	**2,848,227**	–	–
AEV International				
Financial institutions:				
Foreign currency - secured	**3.26% - 3.72%**	**11,725,340**	–	–
GCMH and Subsidiaries				
Financial institutions:				
Foreign currency - unsecured	**LIBOR + 2.55%-3.50%**	**2,034,835**	–	–
PAN JSC				
Financial institutions:				
Foreign currency - secured	**–**	**–**	10.50%	18,560
Joint Operation:				
PEC				
Financial institution - secured	**5.50% - 8.31%**	**14,473,052**	5.50% - 7.38%	14,066,500
Total		**213,354,818**		192,411,209
Deferred financing costs		**(1,922,451)**		(3,324,162)
		211,432,367		189,087,047
Less current portion		**10,702,974**		20,722,330
Noncurrent portion		**₱200,729,393**		₱168,364,717

The Company
In August 2015, the Company issued a total of ₱24.0 billion bonds, broken down into ₱10.5 billion 5-year, ₱8.5 billion 7-year and ₱5.0 billion 12-year bonds at annual fixed interest rates ranging from 4.47% to 6.02%.

In November 2013, the Company issued a total of ₱8.0 billion bonds, broken down into ₱6.2 billion 7-year and ₱1.8 billion 10-year bonds at fixed interest rates ranging from 4.41% to 4.62%.

The 2015- and 2013-issued retail bonds have been rated PRS Aaa by the Philippine Rating Services Corporation (PhilRatings).

The principal amount of the above bonds shall be payable on a lump sum basis on the respective maturity date at its face value. These bonds may be redeemed in advance by the Company based on stipulated early redemption option dates and on agreed early redemption price.

GMCP
On January 18, 2010, GMCP entered into offshore and onshore facility agreements with China Development Bank Corporation (Offshore Loan) as well as BDO, Bank of the Philippine Islands (BPI), China Banking Corporation, Security Bank Corporation, and Standard Chartered Bank - Singapore (collectively for the Onshore Loan) which was fully drawn in 2012. The proceeds of the loan were used solely for the payment of Project Costs.

On August 29, 2017, GMCP entered into a Notes Facility Agreement (NFA) with local banks with BDO Capital and Investment Corporation as Lead Arranger, with the maximum principal amount of US$800.0 million, the proceeds of which will be used to refinance GMCP's existing loan obligation and for other general corporate purposes.

On September 29, 2017, US$600.0 million was drawn from the NFA, out of which US$462.4 million was used to prepay the outstanding loans. In February 2018, the remaining principal amount of $200.0 million was drawn from the NFA.

GMCP also has an existing facility agreement with BDO to finance GMCP's working capital requirements.

Loans payable consist of the following dollar denominated loans as of December 31, 2018 and 2017 (in thousands):

	2018	2017	Interest Rate Per Annum	Payment Schedule
NFA				
Fixed Rate Loan	**$483,450**	$300,000	(i) Fixed rates of 2.5514% and 3.4049% plus 1.45% margin for the first seven-year period and (ii) Fixed Rate Loan Benchmark plus 1.45% margin for the subsequent five-year period	24 semi-annual payments starting from the first Interest Payment Date
LIBOR Loan	**288,450**	300,000	Six-month LIBOR plus 1.70% margin	24 semi-annual payments starting from the first Interest Payment Date
Working Capital				
BDO	**15,000**	15,000	LIBOR plus 1.7% applicable margin	Payable within three months
Total borrowings	**786,900**	615,000		
Less unamortized portion of deferred financing costs	**(4,049)**	(5,712)		
	782,851	609,288		
Less current portion	**70,229**	37,451		
Loans payable - net of current portion	**$712,622**	$571,837		

TVI

On June 18, 2015, TVI entered into an omnibus agreement with local banks for a project loan facility with an aggregate principal amount of ₱31.97 billion. As of December 31, 2018, ₱31.52 billion has been drawn from the loan facility.

The loan is available in two tranches, as follows:

- Tranche A, in the amount of ₱25.97 billion, with interest rate fixed for the first eight years and will be repriced and fixed for another seven years.
- Tranche B, in the amount of ₱6.00 billion, with a fixed interest rate for fifteen years.

70% of the principal amount of the loan is payable in 22 equal semi-annual installments, with the remaining 30% payable in full on the final maturity date. TVI may prepay the loan in part or in full beginning on the end of the fourth year from the initial advance or on the project completion date, whichever is earlier. Any prepayment shall be subject to a certain percentage of prepayment penalty on the principal to be prepaid.

The loan is secured by a mortgage of all its assets with carrying amount of ₱42.77 billion and ₱34.01 billion as of December 31, 2018 and 2017, respectively, and a pledge of TVI's shares of stock held by its shareholders.

AP

In September 2014, AP issued a total of ₱10.0 billion bonds, broken down into a ₱6.6 billion 7-year bond due 2021 at an annual fixed rate equivalent to 5.21% and a ₱3.4 billion 12-year bond due 2026 at an annual fixed rate equivalent to 6.10%. The bonds have been rated PRS Aaa by PhilRatings.

In July 2017, AP issued a ₱3.00 billion 10-year bond due 2027 at an annual fixed rate equivalent to 5.34%. The bonds have been rated PRS Aaa by PhilRatings.

In October 2018, the Company issued a total of ₱10.20 billion bonds, broken down into a ₱7.70 billion 5.25-year bond due 2024 at an annual fixed rate equivalent to 7.51% and a ₱2.50 billion 7-year bond due 2028 at an annual fixed rate equivalent to 8.51%. The bonds have been rated PRS Aaa by PhilRatings.

The principal amount of the bonds shall be payable on a lump sum basis on the respective maturity date at its face value. These bonds may be redeemed in advance by AP based on stipulated early redemption option dates and on agreed early redemption price.

TSI

On October 14, 2013, TSI entered into an omnibus agreement with local banks for a project loan facility with an aggregate principal amount of ₱24.0 billion, which was fully drawn in 2014.

On October 28, 2015, TSI entered into an additional loan agreement with principal amount of ₱1.68 billion, which was fully drawn in 2016.

The loan is secured by a mortgage of all its assets with carrying amount of ₱36.41 billion and ₱36.14 billion as of December 31, 2018 and 2017, respectively, and a pledge of TSI's shares of stock held by AP and TPI.

Interest rate ranging from 4.50% - 5.15% is fixed for the first seven years and will be repriced and fixed for another five years. In 2018, upon release of AP guarantee, interest was increased by 0.5%.

Fifty percent of the principal amount of the loan is payable at semi-annual installments within 12 years with a two-year grace period, with the remaining 50% payable in full on the final maturity date.

TSI may prepay the loan in part or in full beginning on the end of the third year from the initial advance or on the project completion date, whichever is earlier. Any prepayment shall be subject to a certain percentage of prepayment penalty on the principal to be prepaid.

TPI

In December 2016, TPI executed and availed a US$623.5 million syndicated bridge loan facility to partially finance the GNPower acquisition. The loan bears a floating interest rate based on a credit spread over applicable LIBOR, repriced every 30 days. The balance of the loan was fully paid in August 2018.

APRI

On February 29, 2016, APRI entered into an omnibus agreement with BPI, Asian Development Bank (ADB) and Credit Guarantee and Investment Facility (CGIF). This has been certified to have met the requirements of the Climate Bond Standard. The loan proceeds were used for return of equity to shareholders and to fund necessary operating and capital expenditures.

The loan is available in two tranches, as follows:

a. The Notes Facility Agreement, in the amount of ₱10.7 billion, with interest rate already fixed for ten years. 41.6% of the principal amount is payable in ten equal semi-annual installments and the balance payable in another ten semi-annual installments;
b. The ADB Facility Agreement, in the amount of ₱1.8 billion, with interest rate fixed for five years and principal repayments made in ten equal semi-annual installments.

The loan is secured by mortgage of its assets with carrying amount of ₱26.14 billion and ₱25.64 billion as of December 31, 2018 and 2017, respectively, and pledge of APRI's shares of stock held by shareholders and assignment of Project Agreements and Project Accounts.

Hedcor Bukidnon

On September 22, 2015, Hedcor Bukidnon entered into an omnibus agreement with local banks for a project loan facility with an aggregate principal amount of up to ₱10.0 billion. As of December 31, 2018, ₱9.3 billion has been drawn from the loan facility based on the agreed schedule.

The term of the loan is 15 years, and the first principal repayment will take place 42 months after the financial close, or six months after project completion. Principal repayments shall be made in equal semi-annual installments, with a balloon payment not to exceed 30% of the loan amount. Interest rate on the loan is computed at the time of each drawdown, as designated under the agreement.

The loan is secured by an assignment of trade receivables, a pledge of all issued share capital of Hedcor Bukidnon, and corporate suretyship from AP to guarantee the debt service until (a) project completion and (b) receipt of Feed-In-Tariff payments or contracting power supply agreements equivalent to at least the break-even capacity.

HSI

On November 17, 2016, Hedcor Sibulan entered into a NFA with various institutions with Metrobank - Trust Banking Group as the Notes Facility Agent, for a loan facility with an aggregate principal amount of up to ₱4.10 billion to return equity to shareholders, and for other general corporate purposes.

The unsecured notes were issued in ten tranches with interest payable semi-annually at annual fixed rates ranging from 4.05% - 5.42% with principal maturity as follows:

Tranche	Maturity Date	Principal Amount
1	Fifteen months from issue date	₱96.8 million
2	Two (2) years from issue date	₱96.8 million
3	Three (3) years from issue date	₱84.0 million
4	Four (4) years from issue date	₱84.0 million
5	Five (5) years from issue date	₱284.0 million
6 (Series A&B)	Six (6) years from issue date	₱388.4 million
7 (Series A&B)	Seven (7) years from issue date	₱445.8 million
8	Eight (8) years from issue date	₱451.4 million
9	Nine (9) years from issue date	₱508.1 million
10 (Series A&B)	Ten (10) years from issue date	₱1,660.7 million

Prior to maturity date, HSI may redeem in whole or in part the relevant outstanding notes on any interest payment date plus a one percent prepayment penalty.

PILMICO

PILMICO availed ₱1.0 billion and ₱500 million loans from the NFA it signed on May 5, 2015, with Land Bank of the Philippines as the Note Holder on May 11, 2015 and July 13, 2015, respectively. As provided for in the NFA, the 12-year corporate notes are issued as an exempt security pursuant to Section 9.2 of RA No. 8799 and Rule 9.2(2)(B) of the amended implementing rules of the Securities Regulation Code (SRC). On February 21, 2017, the Company availed of the Repricing Option under the NFA, thereby amending the interest rate from 5.19% to 4.50%.

On October 4, 2012, PILMICO availed ₱1.4 billion loan from the NFA it signed on September 25, 2012, with LBP as the Note Holder. The NFA provided for the issuance of 5-year corporate notes issued as an exempt security pursuant to Section 9.2 of RA No. 8799 and Rule 9.2(2)(B) of the amended implementing rules of the SRC Rules. On February 21, 2017, the Company availed of the Repricing Option under the NFA, thereby amending the interest rate from 4.18% to 4.75%.

PILMICO may early redeem in whole or in part the relevant outstanding notes on any interest payment date without premium or penalty. If prepayment is made on a different date, a certain fee shall be charged on the principal to be prepaid.

PANC

On December 28, 2016, PANC availed of a total of ₱700 million loan from NFA signed on December 28, 2016 with Security Bank Corporation as Note Holder.

On September 17, 2014, PANC availed of a total of ₱2.0 billion loan from NFA signed on September 17, 2014 with LBP as Note Holder.

The 2016 and 2014 notes are redeemable on a lump sum basis on their respective maturity dates at December 29, 2029 and September 27, 2026, respectively, at its face value. PANC may early redeem in whole or in part the relevant outstanding notes on any interest payment date without premium or penalty. If prepayment is made on a different date, a certain fee shall be charged on the principal to be prepaid.

VECO

On December 20, 2013, VECO availed of a ₱2.0 billion loan from the NFA it signed on December 17, 2013 with the Land Bank of the Philippines (LBP). The unsecured notes were issued in ten tranches of ₱200 million with interest payable semi-annually at fixed annual rates ranging from 3.50% - 4.81% and principal amortized as follows:

Tranche	Maturity Date	Principal Repayment Amount
A, B	December 20, 2014 and 2015	₱200M balloon payment on maturity date
C	December 20, 2016	₱1M each on first 2 years; ₱198M on maturity date
D	December 20, 2017	₱1M each on first 3 years; ₱197M on maturity date
E	December 20, 2018	₱1M each on first 4 years; ₱196M on maturity date
F	December 20, 2019	₱1M each on first 5 years; ₱195M on maturity date
G	December 20, 2020	₱1M each on first 6 years; ₱194M on maturity date
H	December 20, 2021	₱1M each on first 7 years; ₱193M on maturity date
I	December 20, 2022	₱1M each on first 8 years; ₱192M on maturity date
J	December 20, 2023	₱1M each on first 9 years; ₱191M on maturity date

Prior to maturity date, VECO may redeem in whole or in part the relevant outstanding notes on any interest payment date without premium or penalty. If it redeems the notes on a date other than an interest payment date, then a certain percentage of prepayment penalty on the principal amount to be prepaid shall be imposed.

LHC

On April 24, 2012, LHC entered into an omnibus agreement with Philippine National Bank and Banco De Oro to borrow US$43.1 million with maturity on April 26, 2022 and payable in 20 semi-annual installments. Interest is repriced and paid semi-annually. Annual interest rate ranges from 2.00% to 2.75%.

Intangible asset arising from service concession arrangement with carrying value of ₱1.97 billion as of December 31, 2018, was used as collateral to secure LHC's long-term debts (see Note 15).

DLP

On December 20, 2013, DLP availed of a ₱1.5 billion loan from the NFA it signed on December 17, 2013 with LBP. The unsecured notes were issued in ten tranches of ₱150 million with interest payable semi-annually at annual fixed rates ranging from 3.50% - 4.81% and principal amortized as follows:

Tranche	Maturity Date	Principal Repayment Amount
A, B	December 20, 2014 and 2015	₱150M balloon payment on maturity date
C	December 20, 2016	₱0.75M each on first 2 years; ₱148.5M on maturity date
D	December 20, 2017	₱0.75M each on first 3 years; ₱147.8M on maturity date
E	December 20, 2018	₱0.75M each on first 4 years; ₱147M on maturity date
F	December 20, 2019	₱0.75M each on first 5 years; ₱146.2M on maturity date
G	December 20, 2020	₱0.75M each on first 6 years; ₱145.5M on maturity date
H	December 20, 2021	₱0.75M each on first 7 years; ₱144.8M on maturity date
I	December 20, 2022	₱0.75M each on first 8 years; ₱144M on maturity date
J	December 20, 2023	₱0.75M each on first 9 years; ₱143.2M on maturity date

Prior to maturity date, DLP may redeem in whole or in part the relevant outstanding notes on any interest payment date without premium or penalty. If it redeems the notes on a date other than an interest payment date, then a certain percentage of prepayment penalty on the principal amount to be prepaid shall be imposed.

HI

On August 6, 2013, HI availed of a ten-year ₱900 million loan from a local bank. This loan is subject to a semi-annual principal payment with annual interest fixed at 5.25% for the first 5 years. For the remaining five years, interest rate will be repriced and fixed on the fifth anniversary from the drawdown date. The debt is secured by a pledge of HI's shares of stock held by ARI.

On December 14, 2018, HI entered into a Notes Facility Agreement with a local bank to borrow ₱1.39 billion, which will mature on August 31, 2033, to finance the rehabilitation and/or expansion of the Bineng hydropower plant, refinance its short-term loans and for other general corporate purposes. This loan is subject to a semi-annual principal payment with annual interest fixed at 7.8747% for the first 5 years. For the next five years, interest rate will be repriced and fixed one banking day prior to August 31, 2023. For the remaining five years, interest rate will be repriced and fixed one banking day prior to August 31, 2028. The debt is secured by a continuing suretyship from ARI.

SEZ
On July 7, 2011, SEZ issued ₱565.0 million worth of fixed-rate notes to Metropolitan Bank and Trust Company. Interest on the notes is subject to quarterly payment at 5% annual fixed interest rate. Principal is payable annually over 10 years at an equal amortization of ₱56.5 million.

CLP
On December 20, 2013, CLP availed of ₱300.0 million notes from the NFA it signed on December 17, 2013 with LBP. The unsecured notes were issued in ten tranches of ₱30.0 million with interest payable semi-annually at annual fixed rates ranging from 3.50% - 4.81% and principal amortized as follows:

Tranche	Maturity Date	Principal Repayment Amount
A, B	December 20, 2014 and 2015	₱30M balloon payment on maturity date
C	December 20, 2016	₱0.15M each on first 2 years; ₱29.7M on maturity date
D	December 20, 2017	₱0.15M each on first 3 years; ₱29.6M on maturity date
E	December 20, 2018	₱0.15M each on first 4 years; ₱29.4M on maturity date
F	December 20, 2019	₱0.15M each on first 5 years; ₱29.2M on maturity date
G	December 20, 2020	₱0.15M each on first 6 years; ₱29.1M on maturity date
H	December 20, 2021	₱0.15M each on first 7 years; ₱29M on maturity date
I	December 20, 2022	₱0.15M each on first 8 years; ₱28.8M on maturity date
J	December 20, 2023	₱0.15M each on first 9 years; ₱28.62M on maturity date

Prior to maturity date, CLP may redeem in whole or in part the relevant outstanding notes on any interest payment date without premium or penalty. If it redeems the notes on a date other than an interest payment date, then a certain percentage of prepayment penalty on the principal amount to be prepaid shall be imposed.

Apo Agua
On November 29, 2018, Apo Agua entered into an Omnibus Notes Facility and Security Agreement with various banks for a project loan facility in the aggregate principal amount of up to ₱9.0 billion to design, develop, procure, construct, operate and maintain a water treatment plant facility at Brgy. Gumalang, Davao City. Apo Agua had its first loan drawdown last December 4, 2018 amounting to ₱2.8 billion. The loan drawdown mode is staggered based on an agreed schedule.

The loan is secured by a mortgage of all the assets of Apo Agua and a pledge of Apo Agua's shares held by its pledgors: AEV, the Parent Company, JVACC and JVAGHC. The term of the loan is 15 years and the first principal payment will be made at the earlier of fifty-four (54) months after the date of issuance of the agreement or six (6) months after commercial operation date whichever comes earlier. The remaining principal balance shall be paid in semi-annual equal installments. No payment shall be made to the principal during the grace period.

AEV International
On July 20, 2018, AEV International availed of a syndicated loan facility with the amount of USD338 million (₱18.6 billion). The loan bears a floating interest rate computed based on applicable spread over libor and will mature in five (5) years.

On December 28, 2018, the loan was partially prepaid in the amount of USD 115 million (₱6.3 billion).

GCMH and Subsidiaries
GCMH obtained loans from various lenders with floating interest rates ranging from 2.55% to 3.50%.

PAN JSC
On December 11, 2014, Pilmico Animal Nutrition Joint Stock Company availed a loan from Joint Stock Commercial Bank for Foreign Trade of Vietnam - Song Than Branch amounting to VND 19.22 billion (₱43.6 million). On March 21, 2018, the loan was fully paid.

Long-term debt of Joint Operation
This pertains to TPI's share of the outstanding project debt of its joint operation.

In May 2014, PEC entered into an omnibus agreement with various local banks for a loan facility in the aggregate principal amount of up to ₱33.31 billion with maturity period of 15 years.

The loan facility is subject to a semi-annual interest payment with annual fixed interest ranging from 5.50% - 8.31%. The loans may be voluntarily prepaid in full or in part commencing on and from the third year of the date of initial drawdown with a prepayment penalty.

The loans are secured by a mortgage of substantially all its assets with carrying amount of ₱41.32 billion as of December 31, 2018 and 2017, and a pledge of the shares of stock held by the joint operators.

Loan covenants
The loan agreements on long-term debts of the Group provide for certain restrictions with respect to, among others, mergers or consolidations or other material changes in their ownership, corporate set-up or management, investment and guaranties, incurrence of additional debt, disposition of mortgage of assets, payment of dividends, and maintenance of financial ratios at certain levels.

These restrictions and requirements were complied with by the Group as of December 31, 2018 and 2017.

20. Customers' Deposits

	2018	2017
Bill and load	**₱3,862,663**	₱3,663,917
Lines and poles	**1,101,664**	1,115,646
Transformers	**1,044,037**	1,315,127
Others	**119,424**	174,693
	₱6,127,788	₱6,269,383

Bill deposit serves to guarantee payment of bills by a customer which is estimated to equal one month's consumption or bill of the customer.

Both the Magna Carta and Distribution Services and Open Access Rules (DSOAR) also provide that residential and non-residential customers, respectively, must pay a bill deposit to guarantee payment of bills equivalent to their estimated monthly billing. The amount of deposit shall be adjusted after one year to approximate the actual average monthly bills. A customer who has paid his electric bills on or before due date for three consecutive years, may apply for the full refund of the bill deposit, together with the accrued interests, prior to the termination of his service; otherwise, bill deposits and accrued interests shall be refunded within one month from termination of service, provided all bills have been paid.

In cases where the customer has previously received the refund of his bill deposit pursuant to Article 7 of the Magna Carta, and later defaults in the payment of his monthly bills, the customer shall be required to post another bill deposit with the distribution utility and lose his right to avail of the right to refund his bill deposit in the future until termination of service. Failure to pay the required bill deposit shall be a ground for disconnection of electric service.

Effective April 1, 2010, the Amended Distribution Services and Open Access Rules (Amended DSOAR), increased the refund rate from 25% to 75% of the gross distribution revenue generated from the extension lines and facilities until such amounts are fully refunded.

Transformers and lines and poles deposits are obtained from certain customers principally as cash bond for their proper maintenance and care of the said facilities while under their exclusive use and responsibility.

Interest expense on customers' deposits amounted to ₱2.1 million in 2018, ₱3.2 million in 2017, and ₱2.5 million in 2016 (see Note 35).

The Group classified customers' deposits under noncurrent liabilities due to the expected long-term nature of these accounts. The portion of customers' deposit to be refunded amounted to ₱6.6 million and ₱52.1 million as of December 31, 2018 and 2017, respectively, and are presented as part of "Trade and other payables" (see Note 18).

Other customer deposits pertain mainly to deposits from real estate buyers.

21. **Asset Retirement Obligation**

Asset retirement obligation includes the estimated costs to decommission, abandon and perform surface rehabilitation on a subsidiary's steam field assets at the end of their useful lives, and the best estimate of the expenditure required to settle the obligation to decommission power plant at the end of its lease term (see Note 13).

	2018	2017
Balances at beginning of year	**₱2,959,060**	₱1,821,577
Change in accounting estimate (see Note 13)	**559,996**	1,056,396
Accretion of decommissioning liability (see Note 35)	**159,754**	81,087
Balances at end of year	**₱3,678,810**	₱2,959,060

The actual dismantling and removal cost could vary substantially from the above estimate because of new regulatory requirements, changes in technology, increased cost of labor, materials, and equipment or actual time required to complete all dismantling and removal activities. Adjustment, if any, to the estimated amount will be recognized prospectively as they become known and reliably estimable.

22. **Finance Lease**

TLI was appointed by PSALM as Administrator of the coal-fired power plant in Pagbilao, Quezon under the IPP Administration Agreement, giving TLI the right to receive, manage and control the capacity of the power plant for its own account and at its own cost and risk; and the right to receive the transfer of the power plant at the end of the IPP Administration Agreement for no consideration.

In view of the nature of the IPP Administration Agreement, the arrangement has been accounted for as a finance lease. Accordingly, TLI recognized the capitalized asset and related liability of ₱44.79 billion (equivalent to the present value of the minimum lease payments using TLI's incremental borrowing rates of 10% and 12% for dollar and peso payments, respectively) in the financial statement as "Power plant" and "Finance lease obligation" accounts, respectively (see Notes 3 and 13). The discount determined at inception of the agreement is amortized over the period of the IPP Administration Agreement and is recognized as interest expense in the consolidated statement of income. Interest expense in 2018, 2017 and 2016 amounted to ₱4.8 billion (see Note 35).

Future minimum monthly dollar and peso payments under the IPP Administration Agreement and their present values as of December 31, 2018 and 2017 are as follows:

December 31, 2018

	US dollar payments	Philippine peso equivalent of dollar payments[1]	Philippine peso payments	Total
Within one year	**$90,000**	**₱4,732,200**	**₱4,320,000**	**₱9,052,200**
After one year but not more than five years	**415,500**	**21,846,990**	**19,944,000**	**41,790,990**
More than five years	**155,000**	**8,149,900**	**7,440,000**	**15,589,900**
Total contractual payments	**660,500**	**34,729,090**	**31,704,000**	**66,433,090**
Unamortized discount	**193,770**	**9,516,320**	**10,022,415**	**19,538,735**
Present value	**466,730**	**25,212,770**	**21,681,585**	**46,894,355**
Less current portion				**4,131,059**
Noncurrent portion of finance lease obligation				**₱42,763,296**

December 31, 2017

	US dollar payments	Philippine peso equivalent of dollar payments[2]	Philippine peso payments	Total
Within one year	$90,000	₱4,493,700	₱4,320,000	₱8,813,700
After one year but not more than five years	397,500	19,847,175	19,080,000	38,927,175
More than five years	263,000	13,131,590	12,624,000	25,755,590
Total contractual payments	750,500	37,472,465	36,024,000	73,496,465
Unamortized discount	231,130	11,540,344	12,730,867	24,271,211
Present value	519,370	25,932,121	23,293,133	49,225,254
Less current portion				3,316,165
Noncurrent portion of finance lease obligation				₱45,909,089

[1]*USD1= ₱52.58*

[2]*USD1= ₱49.93*

23. **Capital Stock**

Information on the Company's authorized capital stock follows:

	Number of Shares
Authorized capital stock:	
Common shares, ₱1 par value	9,600,000,000
Preferred shares, ₱1 par value	400,000,000

Outstanding capital stock are as follows:

	Number of Shares	
	2018	2017
Common shares issued	**5,694,599,621**	5,694,599,621
Less treasury shares	**61,807,064**	60,807,064
Balance at end of year	**5,632,792,557**	5,633,792,557

On November 16, 1994, the Company listed with the Philippine Securities Exchange its 3,650,385,204 common shares with a par value of ₱1.00 per share to cover the initial public offering (IPO) of 821,486,204 common shares at an offer price of ₱5.70 per share. Gross proceeds from this issuance of new shares amounted to ₱4.6 billion. Transaction costs incidental to the IPO totaling ₱528.0 million were charged against "Additional paid-in capital" in the consolidated balance sheet.

On May 23, 1995 and August 30, 1996, the Company distributed 20% stock dividend equivalent to 730.08 million shares and 30% stock dividend equivalent to 1.31 billion shares, respectively. Both stock dividends were issued at ₱1.00 per share. At the end of 1996, common shares issued totaled 5.69 billion.

The preferred shares are non-voting, non-participating, non-convertible, cumulative re-issuable and redeemable and may be issued from time to time by the BOD in one or more series and fixed before issuance thereof, the number of shares in each series, and all designations, relative rights, preferences and limitations of the shares in each series. Preferred shares that are redeemed by the Company may be re-issued.

There were no preferred shares issued as of December 31, 2018 and 2017.

As of December 31, 2018, and 2017, the Company has 8,921 and 9,002 shareholders, respectively.

Treasury Shares

In November 2018, AEV purchased 1 million treasury shares amounting to ₱44.1 million. As of December 31, 2018 and 2017, treasury shares held by AEV totaled 61.8 million and 60.8 million, respectively with corresponding acquisition cost of ₱565.2 million and ₱521.1 million, respectively.

24. **Retained Earnings**

On March 8, 2018, the BOD approved the following:

a. 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 taken out of the unrestricted retained earnings as of December 31, 2017, and were paid on April 12, 2018.

b. Appropriation of ₱4.20 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 of 2018	1st quarter of 2021	₱4,200,000

c. Reversal of ₱1.62 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.

On March 7, 2017, the BOD approved the following:

a. Declaration of a regular cash dividend of ₱1.33 per share (₱7.49 billion) to all stockholders of record as of March 21, 2017. These dividends were paid on April 10, 2017.

b. Reversal of ₱1.095 billion retained earnings appropriations for funding of additional capital infusions into the following investees (amounts in thousand pesos):

Investee	Project to be Funded	Board Approval Date	Estimated Project Start Date	Estimated Project Completion Date	Appropriation (in thousands)
AboitizLand, Inc. and Subsidiaries	Land acquisition	July 2013	First quarter of 2014	End of fourth quarter of 2017	₱500,000
Aseagas, Inc.	Plant construction	March 2015	August 2014	Start of third quarter of 2016	345,000
PETNET, Inc.	Business expansion	May 2015	June 2015	December 2016	250,000
Total					₱1,095,000

On March 8, 2016, the BOD approved the following:

a. Declaration of a regular cash dividend of ₱1.06 per share (₱5.89 billion) to all stockholders of record as of March 22, 2016. These dividends were paid on April 19, 2016.

b. Appropriation of ₱2.72 billion of the retained earnings as of December 31, 2015 for the funding of the estimated ₱1.0 billion purchase price adjustment on the acquisition of the Philippine business of Lafarge S.A. and for additional capital infusion into the following investees to finance their respective business expansion projects or ongoing plant construction (amounts in thousand pesos):

Investee	Project to be Funded	Board Approval Date	Estimated Project Start Date	Estimated Project Completion Date	Appropriation (in thousands)
AboitizLand, Inc. and Subsidiaries	Land acquisition	July 2013	First quarter of 2014	End of fourth quarter of 2017	₱500,000
Apo Agua Infrastructura, Inc.	Plant construction	December 2015	July 2016	Start of first quarter of 2019	622,000
Aseagas, Inc.	Plant construction	March 2015	August 2014	Start of third quarter of 2016	345,000
PETNET, Inc.	Business expansion	May 2015	June 2015	December 2016	250,000
Total					₱1,717,000

As mentioned in Note 19, the Company shall not permit its DE ratio to exceed 3:1 calculated based on the Company's year-end debt and consolidated equity.

The balance of retained earnings includes the accumulated equity in net earnings of subsidiaries, associates and joint arrangements amounting to ₱122.4 billion and ₱108.9 billion as at December 31, 2018 and 2017, respectively. Such amounts are not available for distribution until such time that the Company receives the dividends from the respective subsidiaries, associates and joint arrangements (see Note 10).

25. Revenues

a. Power

Sale from Distribution of Power

The Uniform Rate Filing Requirements (UFR) on the rate unbundling released by the ERC on October 30, 2001 specified that the billing for sale and distribution of power and electricity will have the following components: Generation Charge, Transmission Charge, System Loss Charge, Distribution Charge, Supply Charge, Metering Charge, the Currency Exchange Rate Adjustment and Interclass and Lifeline Subsidies. National and local franchise taxes, the Power Act Reduction (for residential customers) and the Universal Charge are also separately indicated in the customer's billing statements.

Pursuant to Section 43(f) of Republic Act (R.A.) No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA), and Rule 15, section 5(a) of its Implementing Rules and Regulations (IRR), the ERC promulgated the Distribution Wheeling Rates Guidelines on December 10, 2004. These were subsequently updated and released on July 26, 2006 as the Rules for Setting Distribution Wheeling Rates (RDWR) for Privately Owned Utilities entering Performance Based Regulation (PBR).

Details of the PBR regulatory period and the date of implementation of the approved rates are as follows:

	CLP	DLP	VECO	SEZ
Current regulatory period	April 1, 2009 to March 31, 2013	July 1, 2010 to June 30, 2014	July 1, 2010 to June 30, 2014	October 1, 2011 to September 30, 2015
Date of implementation of approved distribution supply and metering charges	May 1, 2009	August 1, 2010	August 1, 2010	November 26, 2011

The reset process for the Third Regulatory Period to adjust the previously approved distribution supply and metering charges were deferred due to the changes on PBR rules.
Through ERC Resolution No. 25 Series of 2016 dated July 12, 2016, the ERC adopted the Resolution Modifying the RDWR. Based on this Resolution, the Fourth Regulatory Period shall be as follows:

i. CLP: April 1, 2017 to March 31, 2021
ii. DLP and VECO: July 1, 2018 to June 30, 2022
iii. SEZ: October 1, 2019 to September 30, 2023

The reset process for the Fourth Regulatory Period has not started for all private DUs as the above-mentioned ERC rules have not been published, which is a condition for their effectivity.

Total sale from distribution of power amounted to ₱44.88 billion, ₱43.53 billion and ₱44.59 billion in 2018, 2017 and 2016, respectively.

<u>Sale from Generation of Power and Retail Electricity</u>
Certain subsidiaries are trading participants and direct members under the generator sector of the Wholesale Electricity Spot Market (WESM). These companies are allowed to access the WESM Market Management System through its Market Participant Interface (MPI). The MPI is the facility that allows the trading participants to submit and cancel bids and offers, and to view market results and reports. Under its price determination methodology as approved by the ERC, locational marginal price method is used in computing prices for energy bought and sold in the market on a per node, per hour basis. In the case of bilateral power supply contracts, however, the involved trading participants settle directly with their contracting parties.

Total sale of power to WESM amounted to ₱6.77 billion, ₱3.80 billion and ₱2.88 billion in 2018, 2017 and 2016, respectively.

Revenue recognition for customers under the power supply contracts assumed under the APA and IPP Administration Agreements are billed based on the contract price which is calculated based on the pricing structure approved by the ERC. Rates are calculated based on the time-of-use pricing schedule with corresponding adjustments using the GRAM and the ICERA.

Certain subsidiaries have negotiated contracts with NPC, Private Distribution Utilities, Electric Cooperatives and Commercial and Industrial Consumers referred to as PPA/PSA or ESA. These contracts provide a tariff that allows these companies to charge for capacity fees, fixed operating fees and energy fees.

Certain subsidiaries were issued a FIT Certificate of Compliance from the ERC which entitles them to avail the FIT rate. These subsidiaries also signed agreements with the National Transmission Corporation (NTC), the FIT administrator. These agreements enumerate the rights and obligations under the FIT rules and FIT-All guidelines, in respect to the full payment of the actual energy generation of the generator, at a price equivalent to the applicable FIT rate, for the entire duration of its FIT eligibility period.

Total sale of power under power supply agreements amounted to ₱54.94 billion in 2018, ₱53.40 billion in 2017 and ₱32.64 billion in 2016.

Certain subsidiaries have negotiated contracts with contestable customers. These contracts provide supply and delivery of electricity where capacity fees, fixed operating fees and energy fees are at fixed price/kwh or time of use.

Total sale of power under retail electricity supply agreements amounted to ₱24.14 billion, ₱18.03 billion and ₱8.48 billion in 2018, 2017 and 2016, respectively.

b. Real estate revenues consist of the following:

	2018	2017	2016
Real estate sales	**₱3,219,565**	₱2,915,830	₱1,700,479
Rental income	**475,429**	445,558	419,297
Service fees and others	**230,314**	252,000	321,078
	₱3,925,308	₱3,613,388	₱2,440,854

26. **Purchased Power**

Distribution

DLP and CLP entered into contracts with NPC/PSALM for the purchase of electricity. The material terms of the contract are as follows:

	Term of Agreement with NPC/PSALM	Contract Energy (megawatt hours/year)
DLP	3 years; 2018 - 2021	815,666
CLP	3 years; 2018 - 2021	106,986

The Group’s distribution utilities also entered into Transmission Service Agreements with NGCP for the transmission of electricity.

Total power purchases from the NPC/PSALM and NGCP, net of discounts, amounted to ₱8.82 billion in 2018, ₱9.08 billion in 2017 and ₱7.52 billion in 2016. The outstanding payable to the NPC/PSALM and NGCP on purchased power, presented as part of the “Trade and other payables” account in the consolidated balance sheets amounted to ₱736.3 million and ₱755.7 million as of December 31, 2018 and 2017, respectively (see Note 18).

Generation

Purchased power takes place during periods when power generated from power plants are not sufficient to meet customers’ required power as stated in the power supply contracts. Insufficient supply of generated energy results from the shutdowns due to scheduled maintenance or an emergency situation. The Group purchases power from WESM to ensure uninterrupted supply of power and meet the requirements in the power supply contracts. Total purchases from WESM amounted to ₱5.05 billion in 2018, ₱6.26 billion in 2017 and ₱1.42 billion in 2016.

The Group entered into Replacement Power Contracts with certain related parties (see Note 34). Under these contracts, the Group supplies power to counterparties when additional power is needed. Correspondingly, when faced with energy shortfalls, the Group purchases power from counterparties.

Retail Electricity Supply
AESI pays PSALM monthly generation payments using the formula specified in the IPP Administration Agreement. Total generation payments to PSALM amounted to ₱2.05 billion, ₱1.82 billion and ₱1.90 billion in 2018, 2017 and 2016, respectively.

27. Costs and Expenses

Cost of generated power consists of:

	2018	2017	2016
Fuel costs (see Note 6)	**₱29,423,013**	₱22,324,825	₱12,211,477
Steam supply costs (see Note 39)	**5,227,807**	4,981,187	4,108,576
Energy fees	**646,317**	668,558	627,751
Ancillary charges	**355,260**	547,291	340,869
Wheeling expenses	**21,821**	35,895	27,599
	₱35,674,218	₱28,557,756	₱17,316,272

Cost of goods sold consists of:

	2018	2017	2016
Raw materials used, purchases and changes in biological assets and inventories (see Notes 6 and 8)	**₱41,184,394**	₱19,406,752	₱17,065,443
Direct labor (see Note 28)	**302,993**	238,647	194,453
Manufacturing overhead			
Depreciation (see Note 13)	**763,488**	524,660	427,462
Power	**517,010**	344,656	299,942
Indirect labor (see Note 28)	**494,370**	240,484	203,257
Repairs and maintenance	**380,606**	254,772	216,502
Fuel and lubricants	**193,061**	94,775	80,142
Outside services	**185,932**	99,817	76,686
Employees' benefits (see Notes 28 and 30)	**86,863**	11,687	14,817
Taxes and licenses	**69,866**	55,253	35,547
Rental	**66,012**	33,931	9,992
Freight and handling	**60,075**	61,005	48,004
Insurance	**59,697**	29,859	32,178
Office and general supplies	**57,092**	35,506	9,476

(Forward)

	2018	2017	2016
Medicines and vaccines	**₱43,553**	₱39,707	₱28,397
Toll milling expenses	**26,873**	–	54,406
Pest control	**21,658**	21,026	15,342
Royalty fee	**11,472**	9,711	13,565
Others	**118,516**	153,164	114,778
	3,156,144	2,010,013	1,680,493
Cost of goods manufactured	**44,643,531**	21,655,412	18,940,389
Finished goods inventory (see Note 6)			
Beginning of year	**317,007**	361,857	307,657
Acquisition of subsidiaries	**486,098**	–	–
End of year	**(1,752,729)**	(317,007)	(361,857)
	₱43,693,907	₱21,700,262	₱18,886,189

Operating expenses consist of:

	2018	2017	2016
Depreciation and amortization (see Notes 13, 15 and 16)	**₱9,021,735**	₱7,869,255	₱6,357,313
Personnel costs (see Notes 28 and 30)	**7,183,608**	6,279,900	5,206,478
Taxes and licenses	**2,546,058**	2,196,046	1,613,411
Repairs and maintenance	**2,170,396**	1,704,853	954,531
Outside services (see Note 34)	**1,770,689**	2,383,152	1,736,952
Freight and handling	**1,143,709**	834,893	660,208
Insurance	**1,015,790**	1,058,377	876,943
Management and professional fees (see Note 34)	**724,422**	288,343	320,176
Transportation and travel	**562,220**	467,606	416,030
Rent	**548,715**	444,262	295,615
Advertising	**460,933**	425,617	349,366
Provision for impairment of trade receivables (see Note 5)	**309,820**	101,155	22,284
Utilities	**190,536**	149,682	116,685
Training and development	**172,237**	160,953	163,375
Fuel and lubricants	**86,437**	73,751	312,044
Commissions	**76,998**	145,140	132,469
Others	**2,414,391**	1,672,930	1,653,302
	₱30,398,694	₱26,255,915	₱21,187,182

Other operating expenses consist of miscellaneous items, the most significant of which are materials and supplies.

Overhead expenses consist of:

	2018	2017	2016
Personnel costs (see Notes 28 and 30)	**₱54,037**	₱41,061	₱38,143
Depreciation and amortization (see Notes 13, 15 and 16)	**33,208**	40,837	44,615
Repairs and maintenance	**23,557**	16,986	9,630
Rent	**16,114**	2,042	1,940
Fuel	**4,893**	6,680	8,918
Insurance	**3,425**	4,049	4,106
Others	**1,359**	2,209	2,319
	₱136,593	₱113,864	₱109,671

Other overhead expenses include training costs for aircraft personnel.

Sources of depreciation and amortization are as follows:

	2018	2017	2016
Property, plant and equipment (see Note 13)	**₱9,242,594**	₱7,946,469	₱6,431,339
Intangible asset - service concession rights (see Note 15)	**361,484**	351,541	199,342
Bearer biological assets (see Notes 8 and 16)	**–**	–	63,614
Other intangible assets (see Note 16)	**214,353**	157,968	135,100
	₱9,818,431	₱8,455,978	₱6,829,395

28. **Personnel Costs**

	2018	2017	2016
Salaries and wages	**₱6,640,098**	₱5,041,341	₱4,107,494
Employee benefits (see Note 30)	**827,960**	1,296,940	1,160,292
	₱7,468,058	₱6,338,281	₱5,267,786

29. **Other Income (Expense) - Net**

	2018	2017	2016
Increase in fair value of biological assets (see Note 8)	**₱752,560**	₱942,131	₱388,218
Surcharges	**508,492**	435,428	403,730
Net unrealized fair valuation gains (see Note 14)	**295,294**	862,218	166,476
Non-utility operating income	**142,363**	145,948	94,916
Rental income (see Note 34)	**70,967**	10,617	1,499
Dividend income	**19,060**	5,946	250
Gain (loss) on sale of:			
Investment in a subsidiary (see Note 9)	**166,891**	–	–
Property, plant and equipment	**(292,194)**	(52,164)	(50,125)
AFS investments	**(8,550)**	289	25,105
Write off of project costs and other assets	**(179,225)**	(143,613)	(221,959)
Impairment loss on property, plant and equipment, goodwill and other assets (see Notes 13, 15 and 16)	**(847,620)**	(3,191,786)	(320,328)
Net foreign exchange gains (losses) (see Note 35)	**(1,252,608)**	70,221	(40,877)
Gain on redemption of shares (see Note 10)	**–**	–	16,051
Bargain purchase gain (see Note 9)	**–**	310,198	350,939
Others - net	**2,035,396**	578,433	1,687,131
	₱1,410,826	(₱26,134)	₱2,501,026

Included in "Net foreign exchange gains (losses)" are the net gains and losses relating to currency forward transactions (see Note 35).

Impairment losses on property, plant and equipment, goodwill and other assets:

(a) This includes the ₱486.5 million net book value of the Bajada Power Plant which was fully impaired when it ceased operations in 2018 and the loss of ₱282.3 million from recognizing the recoverable amount of transmission assets which were classified as property held for sale.

(b) This includes the ₱2.64 billion impairment loss of Aseagas biomas plant which temporarily ceased its operation to unavailability of the supply of organic effluent wastewater from source and in January 2018, Aseagas decided to make the plant shutdown permanent. As of December 31, 2017, the recoverable amount of Aseagas' property, plant and equipment was determined based on their fair value less costs of disposal. The fair value of the property, plant and equipment was based on valuation performed by an accredited independent appraiser (see Note 13).

"Others" comprise non-recurring items like sale of scrap and sludge oil, and reversal of provisions. In 2018, "Others" also include income arising from the proceeds from claims of liquidating damages from contractor due to the delay of the completion of PEC's and TSI's power plant amounting to ₱340.7 million and ₱785.4 million in 2018 and 2016, respectively.

30. **Pension Benefit Plans**

Under the existing regulatory framework, Republic Act 7641, otherwise known as *The Retirement Pay Law*, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity. It further states that the employees' retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The Company and its subsidiaries have funded, noncontributory, pension benefit plans ("Plan") covering all regular and full-time employees and requiring contributions to be made to separately administered funds. The retirement benefit fund ("Fund") of each subsidiary is in the form of a trust being maintained and managed by AEV, under the supervision of the Board of Trustees (BOT) of the Plan. The BOT, whose members are also corporate officers, is responsible for the investment of the Fund assets. Taking into account the Plan's objectives, benefit obligations and risk capacity, the BOT periodically defines the investment strategy in the form of a long-term target structure.

The following tables summarize the components of net benefit expense recognized in the consolidated statements of income and the funded status and amounts recognized in the consolidated balance sheets for the respective plans.

Net benefit expense (recognized as part of personnel costs under operations)

	2018	2017	2016
Retirement expense recognized in the consolidated statements of income:			
Service cost	**₱297,480**	₱338,596	₱287,743
Net interest cost	**26,015**	12,257	32,725
Remeasurement of other long-term employee benefits	**(4,842)**	–	–
	₱318,653	₱350,853	₱320,468

	2018	2017	2016
Remeasurement gains (losses) recognized in the consolidated statements of comprehensive income:			
Actuarial gains (losses) on defined benefit plan	**₱221,199**	₱53,381	(₱54,403)
Return (loss) on assets excluding amount included in net interest cost	**(197,855)**	65,865	77,411
	₱23,344	₱119,246	₱23,008

Net pension liabilities

	2018	2017
Present value of obligation	**₱3,577,859**	₱3,609,366
Fair value of plan assets	**(3,250,202)**	(3,386,012)
Pension liability	**₱327,657**	₱223,354

Changes in the present value of the defined benefit obligation are as follows:

	2018	2017
At January 1	**₱3,609,366**	₱3,386,386
Net benefit costs in the consolidated statements of income		
Current service costs	**306,434**	323,277
Interest cost	**192,498**	178,630
Transfers and others	**13,508**	(47,065)
Past service costs	**(8,954)**	15,319
Remeasurement of other long-term employee benefits	**(4,842)**	–
Benefits paid	**(412,283)**	(183,060)
Remeasurements in other comprehensive income:		
Actuarial losses (gain) due to experience adjustments	**(39,791)**	246,357
Actuarial gains due to changes in financial assumptions	**(181,408)**	(299,738)
	3,474,528	3,620,106
Acquisition of subsidiaries (see Note 9)	**103,331**	(10,740)
At December 31	**₱3,577,859**	₱3,609,366

Changes in the fair value of plan assets are as follows:

	2018	2017
At January 1	**₱3,386,012**	₱3,153,951
Actual contributions	**430,721**	256,329
Interest income included in net interest cost	**166,483**	166,373
Transfers and others	**13,500**	(47,062)
Disposal of a subsidiary (see Note 9)	**(142,336)**	–
Actual return excluding amount included in net interest cost	**(197,855)**	65,865
Benefits paid	**(406,323)**	(209,444)
At December 31	**₱3,250,202**	₱3,386,012

Changes in net pension liability recognized in the consolidated balance sheets are as follows:

	2018	2017
At January 1	**₱223,354**	₱232,435
Contribution to retirement fund	**(430,721)**	(256,329)
Retirement expense for the year	**318,653**	350,853
Actuarial gain recognized for the year	**(23,344)**	(119,246)
Transfers and others	**7**	(3)
Benefits paid from Group operating funds	**(5,959)**	26,384
Acquisition and disposal of subsidiaries (see Note 9)	**245,667**	(10,740)
At December 31	**₱327,657**	₱223,354

The fair value of plan assets by each class as at the end of the reporting period are as follows:

	2018	2017
Cash and fixed-income investments	**₱1,909,787**	₱1,612,044
Equity instruments:		
Power	**409,991**	302,223
Holding	**295,117**	77,839
Financial institution	**59,325**	4,661
Others	**575,982**	1,389,245
Fair value of plan assets	**₱3,250,202**	₱3,386,012

All equity and debt instruments held have quoted prices in active market. The remaining plan assets do not have quoted market prices in active market.

The plan assets have diverse investments and do not have any concentration risk.

The principal assumptions used as of December 31, 2018, 2017 and 2016 in determining pension benefit obligations for the Group's plans are shown below:

	2018	2017	2016
Discount rate	**4.87% - 8.31%**	5.01% - 5.31%	3.61% - 5.60%
Salary increase rate	**6% - 7%**	6%	6%

The sensitivity analysis below has been determined based on reasonable possible changes of each significant assumption on the defined benefit obligation as of December 31, 2018 and 2017, assuming all other assumptions were held constant:

December 31, 2018

	Increase (decrease) in basis points	**Effect on defined benefit obligation**
Discount rates	**100**	**(176,522)**
	(100)	**217,264**
Future salary increases	**100**	**254,503**
	(100)	**(212,771)**

December 31, 2017

	Increase (decrease) in basis points	Effect on defined benefit obligation
Discount rates	100	(₱206,159)
	(100)	240,006
Future salary increases	100	231,623
	(100)	(222,457)

The pension benefit plans are funded by the Company and its subsidiaries. The Group expects to contribute approximately ₱284.9 million to the retirement benefit funds in 2019.

The average durations of the defined benefit obligation as of December 31, 2018 and 2017 are 2.70 - 28.76 years and 7.78 - 28.76 years, respectively.

The Board of Trustees reviews the performance of the plans on a regular basis. It assesses whether the retirement plans will achieve investment returns which, together with contributions, will be sufficient to pay retirement benefits as they fall due. The Group also reviews the solvency position of the different member companies on an annual basis and estimates, through the actuary, the expected contribution to the Plan in the subsequent year.

31. Income Taxes

The provision for (benefit from) income tax consists of:

	2018	2017	2016
Current			
Corporate income tax	**₱4,312,349**	₱4,346,711	₱4,518,530
Final tax	**237,483**	159,077	240,238
	4,549,832	4,505,788	4,758,768
Deferred	**(650,634)**	77,267	(469,105)
	₱3,899,198	₱4,583,055	₱4,289,663

A reconciliation between the statutory income tax rate and the Group's effective income tax rates follows:

	2018	2017	2016
Statutory income tax rate	**30.00%**	30.00%	30.00%
Tax effects of:			
Non-deductible interest expense	**4.77**	5.19	5.48
Non-deductible depreciation expense	**0.95**	0.97	1.00
Non-deductible impairment provisions	**0.03**	0.11	(0.07)
Gain on sale of investments already subjected to final tax	**(0.14)**	–	(0.12)
Interest income subjected to final tax at lower rates - net	**(0.91)**	(0.82)	(1.06)
Nontaxable share in net earnings of associates and joint ventures	**(6.60)**	(8.02)	(8.79)
Deductible lease payments	**(7.72)**	(7.84)	(7.84)
Income under ITH	**(10.04)**	(7.87)	(5.33)
Others	**0.75**	1.81	(0.25)
	11.09%	13.53%	13.02%

Net deferred income tax assets at December 31 relate to the following:

	2018	2017
Deferred income tax assets:		
Tax effects of items in other comprehensive income	**₱152,129**	₱238,357
Unrealized foreign exchange losses	**1,326,013**	708,160
Allowances for impairment and probable losses	**350,689**	283,709
NOLCO	**298,477**	–
Unamortized contributions for past service	**118,810**	143,797
MCIT	**20,754**	–
Accrued retirement benefits	**(40,158)**	(108,489)
Others	**122,405**	426,091
	2,349,119	1,691,625
Deferred income tax liabilities:		
Pension asset	**22,064**	68,797
Consumable biological assets	**–**	90,971
Others	**2,282**	6,227
	24,346	165,995
	₱2,324,773	₱1,525,630

Net deferred income tax liabilities at December 31 relate to the following:

	2018	2017
Deferred income tax liabilities:		
Unrealized gain on investment property	**₱978,246**	₱826,254
Unamortized franchise	**794,620**	817,708
Percentage-of-completion recognition of real estate sales and related costs	**175,573**	245,893
Consumable biological assets	**96,400**	–
Unamortized customs duties and taxes capitalized	**9,008**	30,915
Unrealized foreign exchange gains	**2,749**	26,957
Pension asset	**(55,633)**	–
Others	**857,697**	11,374
	2,858,660	1,959,101
Deferred income tax assets:		
Tax effects of items in other comprehensive income	**(114,135)**	(156,367)
NOLCO	**117,018**	179,572
Allowances for:		
Inventory obsolescence	**153,896**	20,050
Impairment and probable losses	**47,359**	47,376
Unrealized foreign exchange losses	**9,389**	8,835
MCIT	**6,157**	13,076
Unamortized past service cost	**–**	23,173
Others	**243,776**	199,471
	463,460	335,186
	₱2,395,200	₱1,623,915

In computing for deferred income tax assets and liabilities, the tax rates used were 30% and 10%, which are the rates expected to apply to taxable income in the years in which the deferred income tax assets and liabilities are expected to be recovered or settled and considering the tax rate for renewable energy developers as allowed by the Renewable Energy Act of 2008.

The Company did not recognize its deferred income tax assets on NOLCO generated in 2018 and 2017 amounting to ₱802.8 million and ₱966 million, respectively, and on MCIT paid in 2018 and 2017 amounting to ₱31.9 million and ₱25.2 million, respectively. Likewise, AP parent company did not recognize its deferred income tax assets on NOLCO amounting to ₱1.05 billion and ₱647.9 million as of December 31, 2018 and 2017, respectively, and on MCIT amounting to ₱49.1 million and ₱44.4 million as of December 31, 2018 and 2017, respectively.

Management of both entities expect that no sufficient taxable income will be generated in the future to allow all of the corresponding deferred income tax assets to be utilized.

There are no income tax consequences to the Group attaching to the payment of dividends to its shareholders.

32. Earnings per Common Share

Earnings per common share amounts were computed as follows:

	2018	2017	2016
a. Net income attributable to equity holders of the parent	**₱22,232,977**	₱21,608,695	₱22,473,458
b. Weighted average number of common shares issued and outstanding	**5,633,543**	5,633,793	5,595,028
c. Earnings per common share (a/b)	**₱3.947**	₱3.836	₱4.017

There are no dilutive potential common shares as of December 31, 2018, 2017 and 2016.

33. **Operating Segment Information**

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

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

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

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

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

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

Segment assets do not include deferred income tax assets, pension asset and other noncurrent assets. Segment liabilities do not include deferred income tax liabilities, income tax payable and pension liability. Capital expenditures consist of additions of property, plant and equipment and intangible asset - service concession rights. Adjustments as shown below include items not presented as part of segment assets and liabilities.

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Group, and that the revenue can be reliably measured. Sale of power to Manila Electric Company accounted for 22%, 24% and 36% of the power generation revenues of the Group in 2018, 2017, and 2016, respectively.

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

	2018							
	Power	Financial Services	Food Manufacturing	Real Estate	Infrastructure	Parent Company and Others	Eliminations	Consolidated
REVENUES								
Third parties	₱131,354,643	₱644,566	₱50,252,875	₱3,925,308	₱96,021	₱669,407	₱–	₱186,942,820
Inter-segment	217,441	–	–	76,047	–	1,149,283	(1,442,771)	–
Total revenue	₱131,572,084	₱644,566	₱50,252,875	₱4,001,355	₱96,021	₱1,818,690	(₱1,442,771)	₱186,942,820
RESULTS								
Segment results	₱36,496,682	(₱38,554)	₱1,568,078	₱958,534	(₱60,669)	(₱42,613)	₱280,485	₱39,161,943
Unallocated corporate income (expenses) - net	(1,292,311)	5,973	1,545,976	(56,446)	(2,673)	1,490,792	(280,485)	1,410,826
INCOME FROM OPERATIONS								40,572,769
Interest expense	(12,082,158)	(8,135)	(974,879)	(76,019)	–	(1,553,542)	56,145	(14,638,588)
Interest income	880,085	1,588	173,102	13,703	3,312	466,420	(62,059)	1,476,151
Share in net earnings of associates and joint ventures	4,356,825	3,599,941	2,850	(11,928)	(218,399)	19,313,421	(19,315,048)	7,727,663
Provision for income tax	(2,925,623)	6,531	(532,076)	(123,380)	(4,096)	(320,554)	–	(3,899,198)
NET INCOME	₱25,433,500	₱3,567,344	₱1,783,052	₱704,463	(₱282,525)	₱19,353,925	(₱19,320,962)	₱31,238,797
OTHER INFORMATION								
Segment assets	₱91,891,697	₱–	₱24,346,718	₱12,535,860	₱1,657,628	₱8,978,434	(₱218,893)	₱139,191,444
Investments and advances	34,334,126	46,025,202	55,807	1,464,124	25,238,659	125,271,699	(125,430,060)	106,959,557
Unallocated corporate assets	263,436,354	–	31,453,948	6,066,913	1,901,742	6,178,277	(600,001)	308,437,233
Consolidated total assets								₱554,588,234
Segment liabilities	₱251,543,579	₱–	₱39,768,325	₱7,673,226	₱3,031,839	₱32,684,202	(₱793,134)	₱333,908,037
Unallocated corporate liabilities	1,541,930	–	855,594	655,099	745	363,298	–	3,416,666
Consolidated total liabilities								₱337,324,703
Capital expenditures	₱8,607,781	₱–	₱1,216,702	₱647,354	₱68,234	₱147,608	₱–	₱10,687,679
Depreciation and amortization	₱8,681,403	₱–	₱896,710	₱82,313	₱13,917	₱144,089	₱–	₱9,818,432

	2017 (As restated)							
	Power	Financial Services	Food Manufacturing	Real Estate	Infrastructure	Parent Company and Others	Eliminations	Consolidated
REVENUES								
Third parties	₱119,134,091	₱742,182	₱26,229,792	₱3,613,388	₱34,061	₱668,091	₱–	₱150,421,605
Inter-segment	257,212	–	–	60,608	–	978,922	(1,296,742)	–
Total revenue	₱119,391,303	₱742,182	₱26,229,792	₱3,673,996	₱34,061	₱1,647,013	(₱1,296,742)	₱150,421,605
RESULTS								
Segment results	₱34,173,729	₱59,705	₱1,520,218	₱618,070	(₱87,498)	₱20,598	₱271,322	₱36,576,144
Unallocated corporate income (expenses) - net	(1,704,000)	4,265	868,042	748,030	304	328,546	(271,322)	(26,135)
INCOME FROM OPERATIONS								36,550,009
Interest expense	(11,247,780)	(6,147)	(337,471)	(34,473)	–	(1,553,541)	62,050	(13,117,362)
Interest income	927,012	1,515	86,019	5,973	4,472	431,106	(80,402)	1,375,695
Share in net earnings of associates and joint ventures	4,697,864	4,103,964	–	(11,227)	274,517	18,284,670	(18,296,056)	9,053,732
Provision for income tax	(3,858,398)	(20,033)	(438,889)	(220,287)	(913)	(44,533)	–	(4,583,053)
NET INCOME	₱22,988,427	₱4,143,269	₱1,697,919	₱1,106,086	₱190,882	₱17,466,846	(₱18,314,408)	₱29,279,021
OTHER INFORMATION								
Segment assets	₱67,961,596	₱1,201,961	₱19,534,202	₱7,045,980	₱239,620	₱18,482,290	(₱278,155)	₱114,187,494
Investments and advances	31,248,595	33,658,023	–	1,476,052	25,463,872	108,095,256	(108,332,207)	91,609,592
Unallocated corporate assets	262,266,808	184,640	8,205,912	9,636,511	260,661	5,476,211	103,868	286,134,611
Consolidated total assets								₱491,931,697
Segment liabilities	₱235,578,591	₱363,199	₱22,592,698	₱6,395,724	₱29,590	₱32,645,631	(₱672,374)	₱296,933,059
Unallocated corporate liabilities	1,919,944	371,414	61,084	620,745	3,066	(248,543)	–	2,727,710
Consolidated total liabilities								₱299,660,769
Capital expenditures	₱16,068,050	₱17,934	₱1,218,793	₱897,635	₱9,573	₱105,460	₱–	₱18,317,445
Depreciation and amortization	₱7,596,268	₱35,289	₱576,980	₱94,648	₱6,481	₱146,312	₱–	₱8,455,978

	2016 (As restated)							
	Power	Financial Services	Food Manufacturing	Real Estate	Infrastructure	Parent Company and Others	Eliminations	Consolidated
REVENUES								
Third parties	₱88,992,097	₱550,347	₱23,702,446	₱2,440,854	₱–	₱729,336	₱–	₱116,415,080
Inter-segment	171,172	–	–	–	–	851,413	(1,022,585)	–
Total revenue	₱89,163,269	₱550,347	₱23,702,446	₱2,440,854	₱–	₱1,580,749	(₱1,022,585)	₱116,415,080
RESULTS								
Segment results	₱26,310,300	(₱67,207)	₱2,101,337	₱245,577	(₱10,565)	₱88,458	₱253,139	₱28,921,039
Unallocated corporate income (expenses) - net	1,669,212	85,684	493,150	6,245	1	499,874	(253,139)	2,501,027
INCOME FROM OPERATIONS								31,422,066
Interest expense	(7,704,011)	(7,046)	(296,344)	(5,366)	–	(1,571,520)	16,290	(9,567,997)
Interest income	1,083,535	1,526	64,393	22,668	662	285,424	(21,276)	1,436,932
Share in net earnings of associates and joint ventures	3,641,210	4,913,926	–	(3,232)	1,101,394	17,384,303	(17,385,813)	9,651,787
Provision for income tax	(3,496,140)	(16,250)	(626,833)	(25,464)	(132)	(124,844)	–	(4,289,663)
NET INCOME	₱21,504,105	₱4,910,633	₱1,735,703	₱240,428	₱1,091,360	₱16,561,695	(₱17,390,799)	₱28,653,125
OTHER INFORMATION								
Segment assets	₱73,649,187	₱1,044,046	₱7,863,363	₱5,777,703	₱106,810	₱18,062,204	(₱924,487)	₱105,578,826
Investments and advances	30,595,989	30,183,220	–	1,487,299	24,919,655	97,268,613	(97,817,099)	86,637,677
Unallocated corporate Assets	252,761,718	181,305	7,165,361	8,042,819	108,058	5,355,296	163,865	273,778,422
Consolidated total assets								₱465,994,925
Segment liabilities	₱242,851,899	₱226,242	₱10,689,191	₱5,074,129	₱23,772	₱32,125,426	(₱1,258,683)	₱289,731,976
Unallocated corporate Liabilities	1,945,775	243,259	68,830	446,523	–	(104,062)	–	2,600,325
Consolidated tota Liabilities								₱292,332,301
Capital expenditures	₱28,203,292	₱35,693	₱1,792,762	₱593,616	₱83,358	₱316,078	₱–	₱31,024,799
Depreciation and amortization	₱6,043,527	₱31,253	₱534,042	₱66,845	₱355	₱153,373	₱–	₱6,829,395

34. **Related Party Disclosures**

Parties are considered to be related if one party has the ability to control, directly or indirectly, the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

In the normal course of business, the Group enters into transactions with related parties, principally consisting of the following:

a. Service contracts of certain associates with AEV or AP at fees based on agreed rates. Professional and technical fees paid by these associates and joint ventures to AEV and AP totaled ₱745.2 million, ₱650.0 million and ₱655.1 million in 2018, 2017 and 2016, respectively.

b. Cash deposits and placements with UBP. At prevailing rates, the deposits and money market placements earned interest income amounting to ₱636.5 million, ₱316.4 million and ₱308.5 million in 2018, 2017 and 2016, respectively.

c. Aviation services rendered by AEV Aviation to ACO and certain associates. Total aviation service income generated from these related parties amounted to ₱18.4 million in 2018, ₱11.2 million in 2017 and ₱10.7 million in 2016.

d. Lease of commercial office units by ACO and certain associates from CPDC for a period of three years. Rental income amounted to ₱8.5 million in 2018, ₱8.1 million in 2017 and ₱6.7 million in 2016.

e. Purchase of lots for residential and commercial project development by AboitizLand from ACO in 2012. The purchase was for a total consideration of ₱595.8 million, a portion of which was paid upon execution of the Contract to Sell. The remaining balance is payable on quarterly installments for the next 10 years. The current and noncurrent portion of the related liability amounted to ₱47.8 million and ₱139.5 million, respectively, as at December 31, 2018, and to ₱36.2 million and ₱210.8 million, respectively, as at December 31, 2017 (see Note 18).

f. Power sales to and purchases from certain associates and joint ventures based on the Group's power supply and purchase agreements, respectively (see Note 39).

g. Services rendered by Aboitiz Construction, Inc. (ACI), a wholly owned subsidiary of ACO, to the Group for various construction projects.

h. Interest-bearing advances from AEV availed by the Group. The annual interest rates are determined on arm's length basis.

The above transactions are settled in cash.

Significant outstanding account balances with related parties as of December 31, 2017 and 2016 are as follows:

a. Revenue - Management, Professional and Technical Fees

	Revenue			Accounts Receivable			
	2018	2017	2016	**2018**	2017	Terms	Conditions
Ultimate Parent							
ACO	**₱19,913**	₱10,966	₱19,145	**₱126**	₱227	30-day; interest-free	Unsecured; no impairment
Associates and Joint Ventures							
CBM (see Note 10)	**339,201**	298,612	327,203	**108,954**	67,193	30-day; Interest-free	Unsecured; no impairment
SFELAPCO	**132,623**	72,158	58,119	**36,851**	41,266	30-day; interest-free	Unsecured; no impairment
CEDC	**71,880**	101,367	103,945	**–**	7,978	30-day; interest-free	Unsecured; no impairment
RCMI (see Note 10)	**75,312**	69,780	76,462	**25,457**	15,701	30-day; interest-free	Unsecured; no impairment
RCII (see Note 10)	**49,019**	45,418	49,767	**16,569**	10,219	30-day; interest-free	Unsecured; no impairment
GNPD	**42,360**	40,556	–	**3,960**	40,556	30-day; interest-free	Unsecured; no impairment
SNAP-Magat	**5,137**	3,653	5,806	**1,050**	326	30-day; interest-free	Unsecured; no impairment
SNAP-Benguet	**5,414**	2,027	5,630	**1,071**	308	30-day; interest-free	Unsecured; no impairment
MORE	**2,527**	2,825	2,863	**122**	445	30-day; interest-free	Unsecured; no impairment
UBP	**1,493**	1,050	67	**10**	613	30-day; interest-free	Unsecured; no impairment
SNAP-Generation	**278**	1,394	206	**8**	14	30-day; interest-free	Unsecured; no impairment
RP Energy	**–**	–	5,882	**–**	–	30-day; Interest-free	Unsecured; no impairment
RCSI	**–**	120	–	**30**	159	30-day; interest-free	Unsecured; no impairment
Total	**₱745,157**	₱649,926	₱655,095	**₱194,208**	₱185,005		

b. Cash Deposits and Placements with UBP

	Interest Income			Outstanding Balance			
	2018	2017	2016	**2018**	2017	Terms	Conditions
AP	**₱442,344**	₱195,457	₱251,694	**₱18,753,283**	₱12,366,610	90 days or less; interest-bearing	No impairment
AEV	**146,938**	90,082	33,942	**2,702,526**	8,789,407	90 days or less; interest-bearing	No impairment
PILMICO	**42,687**	14,380	11,935	**1,052,045**	6,530,729	90 days or less; interest-bearing	No impairment
AboitizLand	**2,099**	2,785	2,680	**434,613**	351,324	90 days or less; interest-bearing	No impairment
Aboitiz Infracapital	**1,628**	3,795	166	**234,865**	163,055	90 days or less; interest-bearing	No impairment
CPDC	**648**	1,099	439	**48,157**	38,857	90 days or less; interest-bearing	No impairment
AEV AVIATION	**189**	1,632	621	**29.437**	309,006	90 days or less; interest-bearing	No impairment
AIPL	**12**	6,982	4,728	**11,906**	141,960	90 days or less; interest-bearing	No impairment
Weather Solutions, Inc.	**3**	–	–	**513**	2,500	90 days or less; interest-bearing	No impairment
Petnet	–	214	319	–	74,014	90 days or less; interest-bearing	No impairment
APO Agua	–	–	231	–	–	90 days or less; interest-bearing	No impairment
ASEAGAS	–	–	1,718	–	–	90 days or less; interest-bearing	No impairment
	₱636,548	₱316,426	₱308,473	**₱23,267,345**	₱28,767,462		

c. Revenue - Aviation Services

	Revenue			Accounts Receivable			
	2018	2017	2016	**2018**	2017	Terms	Conditions
Associates and Joint Ventures							
SNAP-Magat	**₱14,280**	₱5,735	₱6,511	**₱5,228**	₱–	30-day; interest-free	Unsecured; no impairment
SNAP-Benguet	**2,356**	1,234	2,363	–	–	30-day; interest-free	Unsecured; no impairment
UBP	**1,500**	1,500	1,633	–	–	30-day; interest-free	Unsecured; no impairment
SNAP-Generation	**285**	2,719	98	**147**	–	30-day; interest-free	Unsecured; no impairment
	₱18,421	₱11,188	₱10,605	**₱5,375**	₱–		

d. Revenue - Rental

	Revenue			Accounts Receivable			
	2018	2017	2016	**2018**	2017	Terms	Conditions
Ultimate Parent							
ACO	**₱4,218**	₱3,488	₱3,405	**₱805**	₱378	30-day; interest-free	Unsecured; no impairment
Associates							
UBP	**4,330**	3,507	3,340	**29**	13	30-day; interest-free	Unsecured; no impairment
RCSI	**–**	1,116	–	**15**	823	30-day; interest-free	Unsecured; no impairment
EAUC (see Note 10)	**–**	–	–	–	–	30-day; interest-free	Unsecured; no impairment
	₱8,548	₱8,111	₱6,745	**₱849**	₱1,214		

e. Land Acquisition

	Purchase			Payable			
	2018	2017	2016	**2018**	2017	Terms	Conditions
Ultimate Parent							
ACO	**₱–**	₱–	₱–	**₱187,305**	₱246,930	Quarterly installment	Unsecured

f. Revenue - Sale of Power

	Revenue (see Note 26)			Receivable			
	2018	2017	2016	**2018**	2017	Terms	Conditions
Associate and Joint Ventures							
SFELAPCO	**₱2,290,390**	₱2,487,557	₱2,669,036	**₱160,375**	₱150,888	30-day; interest-free	Unsecured; no impairment
RCBM	**1,341,456**	101,092	–	**129,905**	20,114	30-day; interest-free	Unsecured; no impairment
SNAP-RES	**19,442**	14,209	–	**1,583**	–	30-day; Interest-free	Unsecured; no impairment
SNAP-Magat	**9,193**	–	13,868	**–**	–	30-day; interest-free	Unsecured; no impairment
SNAP-Benguet	**–**	–	18,291	**–**	–	30-day; Interest-free	Unsecured; no impairment
Investees of ACO							
Tsuneishi Heavy Industries (Cebu), Inc.	**351,946**	406,366	545,344	**39,478**	41,200	30-day; interest-free	Unsecured; no impairment
Metaphil International, Inc.	**11,218**	2,410	10,868	**1,263**	261	30-day; interest-free	Unsecured; no impairment
	₱4,023,645	₱3,011,634	₱3,257,407	**₱332,604**	₱212,463		

Cost of Purchased Power

	Purchases (see Note 26)			Payable			
	2018	2017	2016	**2018**	2017	Terms	Conditions
Associates and Joint Ventures							
CEDC	**₱4,196,052**	₱4,540,798	₱4,552,650	**₱303,563**	₱383,308	30-day; interest-free	Unsecured
SPPC	–	–	219,272	–	–	30-day; interest-free	Unsecured
SNAP-Magat	**110,432**	158,015	–	**8,722**	8,252	30-day; interest-free	Unsecured
SFELAPCO	**14,287**	23,592	–	–	5,237	30-day; interest-free	Unsecured
WMPC	–	–	328,000	–	–	30-day; interest-free	Unsecured
SNAP-Benguet	–	126,731	136,500	–	–	30-day; interest-free	Unsecured
	₱4,320,771	₱4,849,136	₱5,236,422	**₱312,285**	₱396,797		

g. Capitalized Construction and Rehabilitation Costs

	Purchases			Payable			
	2018	2017	2016	**2018**	2017	Terms	Conditions
Fellow Subsidiary							
Aboitiz Construction, Inc.	**₱399,105**	₱727,378	₱388,172	**₱–**	₱1,735	30-day; interest-free	Unsecured

h. Notes Receivable

	Interest Income			Receivable			
	2018	2017	2016	**2018**	2017	Terms	Conditions
Joint venture							
SACASUN (see Note 16)	**₱–**	₱151,040	₱847	**₱–**	₱–	Loan agreement; interest-bearing	Unsecured

Retirement Benefit Fund

The Company's retirement benefit fund is in the form of a trust being maintained and managed by ACO under the supervision of the BOT of the plan.

The Fund has a carrying amount and a fair value of ₱643.0 million and ₱771.8 million as of December 31, 2018 and 2017, respectively. The assets and investments of the Fund are as follows:

	2018	2017
Equity investments at FVTPL	**₱601,262**	₱–
Financial assets at amortized cost	**26,100**	–
Debt investments at FVOCI	**15,594**	–
Cash and fixed-income investments	**–**	292,490
AFS investments	**–**	479,344
	₱642,956	₱771,834

Fixed-income investments represent money market placements with maturities ranging from less than a year up to five years. AFS investments mainly comprise quoted equity securities which are carried at their fair values.

The Company's retirement benefit fund for its employees has investments in the equities of the Company and one of its subsidiaries. The carrying values of these investments as of

December 31, 2018 and 2017 and the gains of the Fund arising from such investments for the years then ended are as follows:

	2018		2017	
	Carrying Value	**Loss**	Carrying Value	Gains
AEV common shares	**₱75,135**	**(₱19,724)**	₱77,795	₱20,959
AP common shares	**300,436**	**(43,461)**	192,261	12,506

The above investments of the Fund were approved by the BOT. The voting rights over these equity securities are exercised by the chairman of the BOT.

Compensation of Key Management Personnel

	2018	2017	2016
Short-term benefits	**₱332,370**	₱305,642	₱239,477
Post-employment benefits	**17,658**	20,261	15,436
	₱350,028	₱325,903	₱254,913

35. Financial Risk Management Objectives and Policies

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

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

Risk Management Structure
The BOD is mainly responsible for the overall risk management approach and for the approval of risk strategies and principles of the Group.

Financial risk committee
The Financial Risk Committee has the overall responsibility for the development of risk strategies, principles, frameworks, policies and limits. It establishes a forum of discussion of the Group's approach to risk issues in order to make relevant decisions.

Treasury service group
The Treasury Service Group is responsible for the comprehensive monitoring, evaluating and analyzing of the Group's risks in line with the policies and limits.

The main risks arising from the Group's financial instruments are interest rate risk resulting from movements in interest rates that may have an impact on outstanding long-term debts; credit risk involving possible exposure to counter-party default on its cash and cash equivalents, AFS investments and trade and other receivables; liquidity risk in terms of the proper matching of the type of financing required for specific investments; and foreign exchange risk in terms of foreign exchange fluctuations that may significantly affect its foreign currency denominated placements and borrowings.

Market Risk

The risk of loss, immediate or over time, due to adverse fluctuations in the price or market value of instruments, products, and transactions in the Group's overall portfolio (whether on or off-balance sheet) is market risk. These are influenced by foreign and domestic interest rates, foreign exchange rates and gross domestic product growth.

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to its long-term debt obligations. To manage this risk, the Group determines the mix of its debt portfolio as a function of the level of current interest rates, the required tenor of the loan, and the general use of the proceeds of its various fund raising activities. As of December 31, 2018, 14.1% of the Group's long-term debt had annual floating interest rates ranging from 2.6% to 4.3%, and 85.9% are with fixed rates ranging from 4.0% to 9.0%. As of December 31, 2017, 16.5% of the Group's long-term debt had annual floating interest rates ranging from 2.0% to 10.5%, and 83.50% are with fixed rates ranging from 4.0% to 6.91%.

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

December 31, 2018

	Less than 1 year	**1-5 years**	**More than 5 years**	**Total**
Long-term debts				
Floating rate	**₱2,779,079**	**₱22,686,231**	**₱4,352,737**	**₱29,818,047**

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

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

The interest expense recognized during the period is as follows:

	2018	2017	2016
Long-term debts (see Note 19)	**₱8,998,958**	₱8,059,734	₱4,583,953
Finance lease obligations (see Note 22)	**4,797,898**	4,757,379	4,794,801
Bank loans (see Note 17)	**765,276**	246,789	137,683
Long-term obligation on PDS and others	**74,313**	50,229	49,066
Customers' deposits (see Note 20)	**2,143**	3,231	2,494
	₱14,638,588	₱13,117,362	₱9,567,997

The interest income recognized during the period is as follows:

	2018	2017	2016
Cash and cash equivalents (see Note 4)	**₱1,451,344**	₱1,348,935	₱1,419,681
Others	**24,807**	26,760	17,252
	₱1,476,151	₱1,375,695	₱1,436,933

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) as of December 31, 2018, 2017 and 2016:

	Increase (decrease) in basis points	Effect on income before tax
2018	**200**	**(₱596,361)**
	(100)	**298,180**
2017	200	(₱624,137)
	(100)	312,069
2016	200	(₱800,284)
	(100)	400,142

The Group's sensitivity to an increase/decrease in interest rates pertaining to derivative instruments is expected to be insignificant in 2018, 2017 and 2016 due to their short-term maturities and immateriality relative to the total assets and liabilities of the Group.

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

Commodity Price Risk
Commodity price risk of the Group arises from transactions on the world commodity markets to secure the supply of fuel, particularly coal, which is necessary for the generation of electricity.

The Group's objective is to minimize the impact of commodity price fluctuations and this exposure is hedged in accordance with the Group's commodity price risk management strategy.

Based on a 36-month forecast of the required coal supply, the Group hedges the purchase price of coal using commodity swap contracts. The commodity swap contracts do not result in physical delivery of coal, but are designated as cash flow hedges to offset the effect of price changes in coal.

Foreign exchange risk
The foreign exchange risk of the Group pertains significantly to its foreign currency denominated borrowings, including obligations under finance lease. To mitigate the risk of incurring foreign exchange losses, foreign currency holdings are matched against the potential need for foreign currency in financing equity investments and new projects. As of December 31, 2018 and 2017, foreign currency denominated borrowings account for 29.17% and 27.84%, respectively, of total consolidated borrowings.

The following table presents the Group's foreign currency denominated assets and liabilities:

	2018		2017	
	US dollar	**Philippine peso Equivalent**[1]	US dollar	Philippine peso Equivalent[2]
Financial assets				
Cash and cash equivalents	**$342,461**	**₱18,006,600**	$572,576	₱28,588,732
Trade and other receivables	**120,235**	**6,321,968**	49,715	2,482,288
Investments in FVTPL, FVOCI and HTM securities	**11,131**	**585,272**	–	–
AFS Investments	**–**	**–**	5,863	292,740
Total financial assets	**473,827**	**24,913,840**	628,154	31,363,760
Financial liabilities				
Bank loans	**57,861**	**3,042,346**	11,785	588,440
Trade and other payables	**164,911**	**8,671,016**	62,033	3,097,290
Long-term debts	**257,956**	**13,563,350**	303,872	15,172,315
Finance lease obligations	**479,512**	**25,212,741**	519,370	25,932,144
Total financial liabilities	**960,240**	**50,489,453**	897,060	44,790,189
Net foreign currency denominated liabilities	**($486,413)**	**(₱25,575,613)**	($268,906)	(₱13,426,429)

[1]$1= ₱52.58
[2]$1= ₱49.93

The following table demonstrates the sensitivity to a reasonable possible change in the US dollar exchange rates, with all other variables held constant, of the Group's profit before tax as of December 31, 2018, 2017 and 2016.

Increase (decrease) in US dollar rate against the Philippine peso	Effect on income before income tax
US dollar strengthens by 5%	**(₱1,245,676)**
US dollar weakens by 5%	**1,245,676**
US dollar strengthens by 5%	(₱671,321)
US dollar weakens by 5%	671,321
US dollar strengthens by 5%	(₱2,894,587)
US dollar weakens by 5%	2,894,587

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

The following table presents LHC's and GMCP's foreign currency denominated assets and liabilities:

	2018		2017	
	Philippine Peso	**US Dollar Equivalent[1]**	Philippine Peso	US Dollar Equivalent[2]
Financial assets:				
Cash and cash equivalents	**₱1,212,747**	**$23,065**	₱784,566	$15,713
Trade and other receivables	**801,466**	**15,243**	383,606	7,683
	2,014,213	**38,308**	1,168,172	23,396
Financial liabilities:				
Trade and other payables	**608,306**	**11,569**	487,004	9,754
Net foreign currency denominated assets (liabilities)	**₱1,405,907**	**$26,739**	₱681,168	$13,642

[1]US$1 = ₱52.58
[2]US$1 = ₱49.93

The following tables demonstrate the sensitivity to a reasonable possible change in the US dollar exchange rate in relation to Philippine peso, with all variables held constant, of the Group's income before tax as of December 31:

2018	Effect on income before tax
US dollar appreciates against Philippine peso by 5.0%	**($1,337)**
US dollar depreciates against Philippine peso by 5.0%	**1,337**
2017	
US dollar appreciates against Philippine peso by 5.0%	($682)
US dollar depreciates against Philippine peso by 5.0%	682

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

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

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

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

Concentration risk
Credit risk concentration of the Group's receivables according to the customer category as of December 31, 2018 and 2017 is summarized in the following table:

	2018	2017
Power distribution:		
Industrial	**₱5,133,950**	₱4,573,703
Residential	**1,676,935**	1,083,524
Commercial	**778,623**	1,198,568
City street lighting	**30,006**	31,680
Power generation:		
Power supply contracts	**4,567,683**	7,815,795
Spot market	**2,533,211**	1,676,552
	₱14,720,408	₱16,379,822

The above receivables were provided with allowance for doubtful accounts amounting to ₱1.75 billion and ₱1.77 billion as of December 31, 2018 and 2017, respectively (see Note 5).

Maximum exposure to credit risk after collateral and other credit enhancements
The maximum exposure of the Group's financial instruments is equivalent to the carrying values as reflected in the consolidated balance sheets and related notes, except that the credit risk associated with the receivables from customers is mitigated because some of these receivables have collaterals.

Maximum exposure to credit risk for collateralized loans is shown below:

	2018			2017		
	Carrying Value	Financial Effect of Collateral in Mitigating Credit Risk	Maximum Exposure to Credit Risk	Carrying Value	Financial Effect of Collateral in Mitigating Credit Risk	Maximum Exposure to Credit Risk
Trade receivables:						
Power distribution	₱7,619,514	₱7,619,514	₱–	₱6,887,475	₱6,887,475	₱–

Financial effect of collateral in mitigating credit risk is equivalent to the fair value of the collateral or the carrying value of the loan, whichever is lower.

Credit quality

The credit quality per class of financial assets that are neither past due nor impaired is as follows:

December 31, 2018

	Neither past due nor impaired			Past due or individually impaired	Total
	High grade	Standard grade	Sub-standard grade		
Cash and cash equivalents	₱59,033,029	₱–	₱–	₱–	₱59,033,029
Restricted cash	5,289,145	–	–	–	5,289,145
Trade and other receivables					
Trade receivables					
Power	10,327,887	8,857	162	4,380,668	14,717,574
Food manufacturing	180,251	662,935	748,507	1,322,266	2,913,959
Real estate	1,707,695	258,809	–	2,015,920	3,982,424
Holding and others	638,742	3,663,119	11,172	1,299,223	5,612,256
Other receivables	12,313,635	14,864	–	137,894	12,466,393
Debt investments at amortized cost	453,871	–	–	–	453,871
Financial assets at FVTPL					
Quoted shares of stock	341,664	–	–	–	341,664
Unquoted shares of stock	12,070	–	–	–	12,070
Financial assets at FVOCI	225,552	–	–	–	225,552
Derivative asset	292,828	–	–	–	292,828
	₱90,816,369	₱4,608,584	₱759,841	₱9,155,971	₱105,340,765

December 31, 2017

	Neither past due nor impaired			Past due or individually impaired	Total
	High grade	Standard grade	Sub-standard grade		
Cash and cash equivalents	₱64,870,214	₱–	₱–	₱–	₱64,870,214
Restricted cash	2,642,327	–	–	–	2,642,327
Trade and other receivables					
Trade receivables					
Power	11,991,483	44,623	–	4,302,516	16,338,622
Food manufacturing	133,135	854,686	369,852	986,634	2,344,307
Real estate	1,491,846	505,713	–	1,656,740	3,654,299
Holding and others	605,144	169,196	14,456	123,884	912,680
Other receivables	3,179,071	58,876	–	242,029	3,479,976
AFS investments					
Quoted shares of stock	760,724	–	–	–	760,724
Unquoted shares of stock	12,070	–	–	–	12,070
HTM investments	189,216	–	–	–	189,216
Derivative asset	341,941	–	–	–	341,941
	₱86,217,171	₱1,633,094	₱384,308	₱7,311,803	₱95,546,376

	2018				2017
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Total
High grade	**₱90,816,369**	**₱–**	**₱–**	**₱90,816,369**	₱86,217,171
Standard grade	**–**	**4,608,584**	**–**	**4,608,584**	1,633,094
Substandard grade	**–**	**759,841**	**–**	**759,841**	384,308
Default	**–**	**7,655,159**	**1,500,812**	**9,155,971**	7,311,803
Gross carrying amount	**90,816,369**	**13,023,584**	**1,500,812**	**105,340,765**	95,546,376
Loss allowance	**–**	**964,584**	**1,500,812**	**2,455,396**	(1,956,174)
Carrying amount	**₱90,816,369**	**₱12,059,000**	**₱–**	**₱102,885,369**	₱93,590,202

High grade - pertain to receivables from customers with good favorable credit standing and have no history of default.

Standard grade - pertain to those customers with history of sliding beyond the credit terms but pay a week after being past due.

Sub-standard grade - pertain to those customers with payment habits that normally extend beyond the approved credit terms, and has high probability of being impaired.

The Group evaluated its cash and cash equivalents as high quality financial assets since these are placed in financial institutions of high credit standing.

With respect to AFS investments and derivative asset, the Group evaluates the counterparty's external credit rating in establishing credit quality.

The aging analysis per class of financial assets that are past due but not impaired is as follows:

December 31, 2018

			Past due but not impaired				
	Total	Neither past due nor impaired	Less than 30 days	31 days to 1 year	Over 1 year up to 3 years	Over 3 years	Impaired
Debt financial assets at amortized cost:							
Cash and cash equivalents	**₱59,033,029**	**₱59,033,029**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**
Restricted cash	**5,289,145**	**5,289,145**	**–**	**–**	**–**	**–**	**–**
Trade and other receivables							
Trade receivables							
Power	**14,717,574**	**10,336,906**	**949,185**	**1,681,492**	**–**	**–**	**1,749,991**
Food manufacturing	**2,913,959**	**1,591,693**	**621,213**	**601,622**	**–**	**–**	**99,431**
Real estate	**3,982,424**	**1,966,504**	**117,075**	**1,796,010**	**–**	**–**	**102,835**
Holding and others	**5,612,256**	**4,313,033**	**449,289**	**346,795**	**–**	**–**	**503,139**
Other receivables	**12,466,393**	**12,328,499**	**–**	**137,894**	**–**	**–**	**–**
Debt investments at amortized cost	**453,871**	**453,871**	**–**	**–**	**–**	**–**	**–**
Financial assets at FVTPL:							
Quoted shares of stock	**341,664**	**341,664**	**–**	**–**	**–**	**–**	**–**
Unquoted shares of stock	**12,070**	**12,070**	**–**	**–**	**–**	**–**	**–**
Financial assets at FVOCI	**225,552**	**225,552**	**–**	**–**	**–**	**–**	**–**
Derivative asset	**292,828**	**292,828**	**–**	**–**	**–**	**–**	**–**
	₱105,340,765	**₱96,184,794**	**₱2,136,762**	**₱4,563,813**	**₱–**	**₱–**	**₱2,455,396**

December 31, 2017

	Total	Neither past due nor impaired	Past due but not impaired: Less than 30 days	31 days to 1 year	Over 1 year up to 3 years	Over 3 years	Impaired
Loans and receivables							
Cash and cash equivalents	₱64,870,214	₱64,870,214	₱–	₱–	₱–	₱–	₱–
Restricted cash	2,642,327	2,642,327	–	–	–	–	–
Trade and other receivables							
Trade receivables							
Power	16,338,622	12,036,106	1,038,459	1,489,219	–	–	1,774,838
Food manufacturing	2,344,307	1,357,673	577,815	306,459	–	–	102,360
Real estate	3,654,299	1,997,559	255,975	1,338,732	–	–	62,033
Holding and others	912,680	788,796	–	107,264	–	–	16,620
Other receivables	3,479,976	3,237,947	127,831	113,875	–	–	323
AFS investments							
Quoted shares of stock	760,724	760,724	–	–	–	–	–
Unquoted shares of stock	12,070	12,070	–	–	–	–	–
HTM investments	189,216	189,216	–	–	–	–	–
Derivative asset	341,941	341,941	–	–	–	–	–
	₱95,546,376	₱88,234,573	₱2,000,080	₱3,355,549	₱–	₱–	₱1,956,174

Trade and other receivables that are individually determined to be impaired at the balance sheet date relate to debtors that are in significant financial difficulties and have defaulted on payments and accounts under dispute and legal proceedings.

Liquidity Risk

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

Currently, the Group is maintaining a positive cash position, conserving its cash resources through renewed focus on working capital improvement and capital reprioritization. The Group meets its financing requirements through a mixture of cash generated from its operations and short-term and long-term borrowings. Adequate banking facilities and reserve borrowing capacities are maintained.

The Group is in compliance with all of the financial covenants per its loan agreements, none of which is expected to present a material restriction on funding or its investment policy in the near future. The Group has sufficient undrawn borrowing facilities, which could be utilized to settle obligations.

In managing its long-term financial requirements, the policy of the Group is that not more than 25% of long-term borrowings should mature in any twelve-month period. As of December 31, 2018 and 2017, the portion of the total long-term debt, inclusive of customers' deposits, that will mature in less than one year is 5.61% 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 ₱59.0 billion and ₱33.8 billion as of December 31, 2018, respectively and of ₱64.9 billion and ₱24.2 billion as of December 31, 2017, respectively (see Notes 4 and 5). These financial assets will be used to fund short-term and operational liquidity needs of the Group.

The table below analyzes the financial liabilities of the Group into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity. The amounts disclosed in the table are the contractual undiscounted cash flows and include interest.

December 31, 2018

	Total carrying value	**Contractual undiscounted payments**				
		Total	**On demand**	**Less than 1 year**	**1-5 years**	**> 5 years**
Financial liabilities:						
Operating						
Trade and other payables*	**₱34,578,483**	**₱34,578,483**	**₱2,472,160**	**₱31,966,847**	**₱139,476**	**₱–**
Customers' deposits	**6,127,788**	**6,127,788**	**–**	**24,546**	**99,408**	**6,003,834**
Financing						
Bank loans	**26,978,586**	**27,027,903**	**–**	**27,027,903**	**–**	**–**
Long-term debts	**211,432,367**	**309,677,645**	**–**	**42,126,194**	**129,514,140**	**138,037,311**
Obligations under finance lease	**46,894,355**	**66,433,090**	**–**	**9,052,200**	**41,790,990**	**15,589,900**
Long-term obligation on PDS	**213,496**	**400,000**	**–**	**40,000**	**200,000**	**160,000**
Others						
Derivative liabilities	**161,565**	**159,926**	**–**	**159,926**	**–**	**–**
	₱326,386,640	**₱444,404,835**	**₱2,472,160**	**₱110,397,616**	**₱171,744,014**	**₱159,791,045**

**Excludes statutory liabilities*

December 31, 2017

	Total carrying value	Contractual undiscounted payments				
		Total	On demand	Less than 1 year	1-5 years	> 5 years
Financial liabilities:						
Operating						
Trade and other payables*	₱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
Financing						
Bank loans	23,701,140	23,711,309	–	23,711,309	–	–
Long-term debts	189,087,047	240,997,376	–	26,867,224	117,503,925	96,626,227
Obligations under finance lease	49,225,254	73,496,465	–	8,813,700	38,927,175	25,755,590
Long-term obligation on PDS	226,071	440,000	–	40,000	200,000	200,000
Others						
Derivative liabilities	47,577	47,577	–	47,577	–	–
	₱290,192,975	₱366,598,613	₱1,573,803	₱78,946,174	₱157,317,739	₱128,760,897

**Excludes statutory liabilities*

Capital Management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

Certain entities within the Group that are registered with the Board of Investments (BOI) are required to raise a minimum amount of capital in order to avail of their registration incentives. As of December 31, 2018 and 2017, these entities have complied with this requirement as applicable (see Note 38).

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

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

	2018	2017 (As restated)
Bank loans	**₱26,978,586**	₱23,701,140
Long-term obligations	**258,326,722**	238,312,301
Cash and cash equivalents (including restricted cash)	**(64,322,174)**	(67,512,541)
Net debt (a)	**220,983,134**	194,500,900
Equity	**217,263,531**	192,270,928
Equity and net debt (b)	**₱438,246,665**	₱386,771,828
Gearing ratio (a/b)	**50.42%**	50.29%

Part of the Group's capital management is to ensure that it meets financial covenants attached to long-term borrowings. Breaces in meeting the financial covenants would permit the banks to immediately call loans and borrowings. The Group is in compliance with the financial covenants attached to its long-term debt as of December 31, 2018 and 2017 (see Note 19).

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

Financial and Other Risk Relating to Livestock

The Group is exposed to financial risks arising from the change in cost and supply of feed ingredients and the selling price of hogs, all of which are determined by constantly changing market forces of supply and demand, and other factors. The other factors include environmental regulations, weather conditions and livestock diseases which the Group has little control. The mitigating factors are listed below:

- The Group is subject to risks relating to its ability to maintain animal health status considering that it has no control over neighboring livestock farms. Livestock health problems could adversely impact production and consumer confidence. However, the Group monitors the health of its livestock on a daily basis and proper procedures are put in place.

- The livestock industry is exposed to risk associated with the supply and price of raw materials, mainly grain prices. Grain prices fluctuate depending on the harvest results. The shortage in the supply of grain will result in adverse fluctuation in the price of grain and will ultimately increase production cost. The Group monitors the prices of grains regularly. The formulation of feeds at a least cost being done by the Group considers the appropriate nutrients the hogs need. It is the Group's policy not to enter into forward contracts until a firm commitment is in place.

36. **Financial Instruments**

Fair Value of Financial Instruments

Fair value is defined as the amount at which the financial instrument could be sold in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced liquidation or sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.

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

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

	2018		2017	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial asset:				
PSALM deferred adjustment	**₱4,225,900**	**₱3,889,099**	₱–	₱–
Financial liabilities				
Obligations under finance lease	**₱46,894,355**	**₱40,495,647**	₱49,225,254	₱43,462,850
Long-term debt - fixed rate	**181,614,320**	**174,822,840**	157,880,180	151,225,731
PSALM deferred adjustment	**4,225,950**	**3,889,099**	–	–
Long-term obligation on PDS	**213,496**	**278,801**	226,071	326,655
	₱232,948,121	**₱219,486,387**	₱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 their fair values due to the relatively short-term maturity of these financial instruments.

Finance lease obligations

The fair value of the finance lease obligation was calculated by discounting future cash flows using discount rates of 2.33% to 2.73% for dollar payments and 5.26% to 6.67% for peso payments in 2018; and 1.48% to 2.42% for dollar payments and 3.28% to 4.25% for peso payments in 2017.

Fixed-rate borrowings
The fair value of fixed rate interest-bearing loans is based on the discounted value of future cash flows using the applicable rates for similar types of loans. Interest-bearing loans were discounted using credit-adjusted interest rates ranging from 3.15% to 7.53% in 2018 and 3.10% to 6.17% in 2017. The disclosed fair value is determined using Level 3 inputs.

Variable-rate borrowings
Where the repricing of the variable-rate interest-bearing instruments is frequent (i.e., three-month repricing), the carrying value approximates the fair value. Otherwise, the fair value is determined by discounting the principal plus the known interest payment using current market rates.

Long-term obligation on PDS and PSALM deferred adjustment
The fair value of the long-term obligations on PDS is calculated by discounting expected future cash flows at prevailing market rates. Discount rates used in discounting the obligation ranges from 4.32% to 7.49% in 2018 and 2.70% to 4.66% in 2017.

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

AFS investments in 2017
These are carried at cost less impairment because fair value cannot be determined reliably due to the unpredictable nature of cash flows and lack of suitable methods of arriving at reliable fair value.

Financial assets at FVTPL in 2018
These equity securities are carried at fair value.

Derivative asset and liabilities
The fair value is calculated by reference to prevailing interest rate differential and spot exchange rate as of valuation date, taking into account its remaining term to maturity. The Group enters into derivative financial instruments with financial institutions with investment grade credit ratings. Derivative valued using a valuation technique with market observable inputs pertains to a foreign exchange forward contract. The most applied valuation technique is forward pricing. The model incorporates various inputs including the credit quality of counterparty and foreign exchange spot and forward rates.

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

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

Interest rate swaps (IRS)
In August 2012, LHC entered into an interest rate swap agreement effective October 31, 2012 to fully hedge its floating rate exposure on its US dollar denominated loan. Under the interest rate

swap agreement, LHC, on a semi-annual basis, pays a fixed rate of 1.505% per annum and receives variable interest at 6-month LIBOR plus margin. The interest payments and receipts are based on

the outstanding USD notional amount simultaneous with the interest payments on the hedged loan. Similar with the hedged loan, the interest rate swap has amortizing notional amounts which cover a period up to final maturity. LHC designated the swap as a cash flow hedge.

As of December 31, 2018, the outstanding notional amount and derivative asset as a result of the swap amounted to US$16.6 million and ₱19.6 million respectively. As of December 31, 2017, the outstanding notional amount and derivative asset as a result of the swap amounted to US$22.2 million and ₱15.8 million, respectively.

GMCP (see Note 9), has an interest rate swap agreement to hedge the variability in the interest cash flows on the entire amount of its Onshore - Tranche B loans (see Note 19). Under the swap agreement, GMCP pays a fixed rate of 4.37% and receives 6-month LIBOR rate, semi-annually from January 29, 2010 until March 29, 2021. GMCP designated the swap as a cash flow hedge. On September 29, 2017, the IRS agreement was terminated following the prepayment of the loan (see Note 19). As a result of the termination, the outstanding value of the derivative liability amounting to US$4.5 million was derecognized in cumulative translation adjustments.

On September 29, 2017, GMCP entered into an IRS agreement to hedge the variability in the interest cash flows on the entire amount of its LIBOR Loan (see Note 19), which bears interest based on six-month US LIBOR. Under the swap agreement, GMCP pays a fixed rate of 2.18% and receives six-month US LIBOR rate, semi-annually from March 29, 2018 until September 27, 2024. The interest rate swap settlement dates coincide with the semi-annual interest payment dates of the NFA. GMCP designated the swap as a cash flow hedge.
As of December 31, 2018, the outstanding notional amount and derivative asset as a result of the swap amounted to US$288.5 million and ₱272.2 million, respectively. As of December 31, 2017, the outstanding notional amount and derivative asset as a result of the swap amounted to US$300.0 million and ₱49.9 million, respectively.

Interest rate cap (IRC)
GMCP (see Note 9), has an interest rate cap to hedge the variability in the interest cash flows above a certain maximum interest rate on the outstanding amount of its Onshore - Tranche A loans (see Note 19). The IRC has an outstanding notional amount of US$34.4 million, and a derivative liability amount of ₱19.5 million, as of December 31, 2016. Under the IRC agreement, GMCP will receive an amount based upon the outstanding notional amount and the excess of the 6-month LIBOR over the 2.00% cap rate and pays a fixed interest of 0.69% as a premium for the IRC on each settlement date. If the 6-month LIBOR is below 2.00%, no payment will be received by GMCP.   The settlement dates shall be on semi-annual basis from March 29, 2015 until March 29, 2021. GMCP designated the swap as a cash flow hedge. On September 29, 2017, the IRC agreement was terminated following the prepayment of the loan (see Note 19). As a result of the termination, the outstanding value of the derivative asset was derecognized in cumulative translation adjustments.

Foreign currency forward contracts
On November 26, 2015, Hedcor Bukidnon entered into a deliverable forward contract to manage its foreign currency risks associated with its Euro denominated purchases. As of December 31, 2017 and 2016, the outstanding sell U.S. Dollar buy Euro forward contract has an aggregate notional of €2.5 million and €6.4 million, respectively. The maturity of the derivatives begins on December 21, 2015 until April 25, 2018.

On November 26, 2015, Hedcor Bukidnon also entered into a non-deliverable forward contract to manage its exposure to exchange rate fluctuations associated with US dollar denominated purchases. As of December 31, 2017, the contract has an aggregate notional amount of US$2.6 million, respectively that will be fully settled within 2018.

Hedcor Bukidnon designated these foreign currency hedging transactions as cash flow hedges.

Par forward contracts
TLI entered into short-term forward contracts with counterparty banks to manage foreign currency risks associated with foreign currency-denominated liabilities and purchases. As of December 31, 2018 the aggregate notional amount of the par forward contract is US$ 4.83 million.

In 2015, TVI entered into par forward contracts to hedge the foreign currency risk arising from the forecasted US Dollar denominated payments under the Engineering, Procurement Construction (EPC) contract related to the construction of a power plant. As of December 31, 2018 and 2017, the aggregate notional amount of the par forward contracts is US$16.8 million and US$23.7 million, respectively.

In 2014, the Group's Joint Operation entered into par forward contracts to hedge the foreign currency risk arising from the forecasted US Dollar denominated payments under the EPC contract related to the construction of a power plant. The par forward contracts were designated as cash flow hedges. As of December 31, 2017, the aggregate notional amount of the par forward contracts is ₱254.3 million, these were fully settled in 2018.

AP enters into short-term forward contracts with counterparty banks to manage foreign currency risks associated with foreign currency-denominated liabilities and purchases. As of December 31, 2017, the aggregate notional amount of the par forward contract is US$39.0 million, these were fully settled in 2018.

Commodity swap contracts
TLI entered into commodity swap contracts to hedge the price volatility of forecasted coal purchases. The commodity swaps do not result in physical delivery of coal, but are designated as cash flow hedges to offset the effect of price changes in coal. TLI hedges approximately 30% of its expected coal purchases considered to be highly probable. There is an economic relationship between the hedged items and the hedging instruments as the terms of the foreign currency forward and commodity swap contracts match the terms of the expected highly probable forecasted transactions.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the foreign currency forward, IRS and commodity swap contracts match the terms of the expected highly probable foreign currency denominated forecasted purchases and floating rate loans. The Group has established a hedge ration of 1:1 for the hedging relationships as the underlying risk of the foreign currency forward, IRS and commodity swap contracts are identical to the hedged risk components. To test the hedge effectiveness, the Group uses the hypothetical derivative technique and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

The hedge ineffectiveness can arise from:

- Different reference prices linked to the hedged risk of the hedged items and hedging instruments
- Differences in the timing of the cash flows of the hedged items and the hedging instruments
- The counterparties' credit risk differently impacting the fair value movements of the hedging instruments and hedged items
- Changes to the forecasted amount of cash flows of hedged items and hedging instruments

The Company is holding the following hedging instruments designated as cash flow hedges as of December 31, 2018:

	Maturity					
	Less than 3 months	**3 to 6 months**	**6 to 12 months**	**1 to 2 years**	**More than 2 years**	**Total**
As at 31 December 2018						
IRS - Derivative Assets						
Notional amount (in PHP)	552,090	115,676	725,604	1,144,930	13,503,858	16,042,158
Average fixed interest rate (%)	2.18%	1.51%-2.18%	1.51%-2.18%	1.51%-2.18%	1.51%-2.18%	
Foreign Currency Forward Contracts - Derivative Assets						
Notional amount (in PHP)	–	61,118	–	–	–	61,118
Average forward rate (in PHP)	54	55	55	56	57	
Foreign Currency Forward Contracts - Derivative Liability						
Notional amount (in PHP)	975,740	752,345	933,916	1,372,435	798,837	4,833,273
Average forward rate (in PHP)	54	55	55	56	57	
Commodity swaps - Derivative Asset						
Notional amount (in metric tonnes)	47,000	103,000	161,000	150,000	70,000	531,000
Notional amount (in PHP)	212,949	484,425	749,278	695,381	330,607	2,472,640
Average hedged rate (in PHP per metric tonne)	4,531	4,703	4,654	4,636	4,723	
Commodity swaps - Derivative Liability						
Notional amount (in metric tonnes)	86,000	44,000	289,000	150,000	151,000	720,000
Notional amount (in PHP)	486,652	248,709	1,608,393	800,799	775,024	3,919,577
Average hedged rate (in PHP per metric tonne)	5,659	5,652	5,565	5,339	5,133	

The impact of the hedging instruments on the consolidated balance sheet as of December 31, 2018 is, as follows:

	As at 31 December 2018			
	Notional amount	**Carrying amount**	**Line Item in the consolidated balance sheet**	**Change in fair value used for measuring ineffectiveness for the period**
IRS	₱16,042,158	₱291,763	Derivative asset	₱272,185
Forward exchange currency forwards	61,118	210	Derivative asset	(539)
Forward exchange currency forwards	4,833,273	(118,596)	Derivative liability	(228,658)
Commodity swaps	2,472,640	1,200	Derivative asset	22,141
Commodity swaps	3,919,576	(40,311)	Derivative liability	(154,829)

The impact of the hedged item on the consolidated balance sheet as at December 31, 2018 is as follows:

	31 December 2018	
	Change in fair value used for measuring ineffectiveness	**Derivative asset (liability)**
Highly probable forecasted purchases		
Foreign currency hedge	(₱229,658)	₱117,304
Commodity price hedge	(132,688)	39,923
Purchases		
Foreign currency hedge	(539)	–
Floating rate loans		
IRS	272,185	168,841

The effect of the cash flow hedge in the consolidated statement of income and other comprehensive income for the year ended December 31, 2018 is, as follows:

	Year ended 31 December 2018		
	Total hedging gain/(loss) recognized in other comprehensive income	Ineffectiveness recognized in profit or loss	Line item in the consolidated statement of income
Highly probable forecasted purchases			
Foreign currency hedge	(₱117,304)	(₱1,291)	Other income (expense) - net
Commodity price hedge	(39,923)	(7,138)	Other income (expense) - net
Highly probable forecasted purchases			
Foreign currency hedge	–	(539)	Other income (expense) - net
Floating rate loans			
IRS	168,841	2,095	Other income (expense) - net

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

	2018	2017
At beginning of year	**₱294,364**	(₱69,016)
Net changes in fair value of derivatives designated as cash flow hedges	**(125,642)**	105,483
Net changes in fair value of derivatives not designated as accounting hedges	**(72,252)**	5,339
Derecognition recognized in cumulative translation adjustments	**–**	240,960
Fair value of settled instruments	**36,432**	11,598
At end of year	**₱132,902**	₱294,364

The net gains and losses from the net fair value changes of derivatives not designated as accounting hedges are included as “Net foreign exchange gain (losses)” under “Other income (expense) - net”.

The changes in the fair value of derivatives designated as accounting hedges were deferred in equity under “Cumulative translation adjustments.”

The net movement of changes to cumulative translation adjustment relating to revaluation of derivatives is as follows:

	2018	2017
Balance at beginning of year (net of tax)	**₱139,879**	(₱176,936)
Changes in fair value recorded in equity	**203,751**	75,935
	343,630	(101,001)
Derecognition	**–**	147,881
Transfers to construction in progress	**(77,180)**	(57,959)
Changes in fair value transferred to profit or loss	**(7,579)**	127,328
Balance at end of year before deferred tax effect	**258,871**	116,249
Deferred tax effect	**2,507**	23,630
Balance at end of year (net of tax)	**₱261,378**	₱139,879

The Group has not bifurcated any embedded derivatives as of December 31, 2018 and 2017.

Fair Value Hierarchy

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

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs, which have a significant effect on the recorded fair value, are observable either directly or indirectly

Level 3: techniques that use inputs, which have a significant effect on the recorded fair value, that are not based on observable market data

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

December 31, 2018

	Total	**Level 1**	**Level 2**	**Level 3**
Carried at fair value:				
Investments in financial assets:				
At FVTPL	**₱353,734**	**₱353,734**	**₱–**	**₱–**
At FVOCI	**225,552**	**225,552**	**–**	**–**
Derivative asset	**292,828**	**–**	**292,828**	**–**
Derivative liability	**161,565**	**–**	**161,565**	**–**
Disclosed at fair value:				
Finance lease obligations	**33,469,188**	**–**	**–**	**33,469,188**
Long-term debt - fixed rate	**174,822,840**	**–**	**–**	**174,822,840**
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:				
Finance lease obligations	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 years ended December 31, 2018 and 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.

37. Notes to Consolidated Statement of Cash Flows

The following are the cash flow movements of the Group's financing liabilities in 2018 and 2017:

	January 1, 2018	Net cash flows	Non-cash Changes: Amortized deferred financing costs	Foreign exchange movement	Changes in fair values	Accreted interest	First-time consolidated liabilities	Others	December 31, 2018
Current interest-bearing loans and borrowings, excluding obligations under finance leases	**₱44,463,470**	**(₱20,333,648)**	**₱258,968**	**(₱48,560)**	**₱–**	**₱–**	**₱2,228,136**	**₱11,153,195**	**₱37,721,561**
Current obligations under finance leases	**3,316,165**	**(7,804,460)**	**–**	**–**	**–**	**–**	**–**	**8,619,354**	**4,131,059**
Non-current interest-bearing loans and borrowings, excluding obligations under finance leases	**168,550,788**	**39,157,476**	**198,372**	**1,800,851**	**–**	**–**	**2,366,786**	**(11,171,384)**	**200,902,889**
Non-current obligations under finance leases	**45,909,089**	**–**	**–**	**873,546**	**–**	**4,600,015**	**–**	**(8,619,354)**	**42,763,296**
Derivatives	**47,577**	**–**	**–**	**–**	**113,988**	**–**	**–**	**–**	**161,565**
Total liabilities from financing activities	**₱262,287,089**	**₱11,019,368**	**₱457,340**	**₱2,625,837**	**₱113,988**	**₱4,600,015**	**₱4,594,922**	**(₱18,189)**	**₱285,680,369**

	January 1, 2017	Net cash flows	Non-cash Changes: Amortized deferred financing costs	Foreign exchange movement	Changes in fair values	Accreted interest	Others	December 31, 2017
Current interest-bearing loans and borrowings, excluding obligations under finance leases	₱15,997,289	(₱36,121,212)	₱38,913	₱97,555	₱–	₱–	₱64,450,925	₱44,463,470
Current obligations under finance leases	2,968,491	(7,877,292)	–	–	–	–	8,224,966	3,316,165
Non-current interest-bearing loans and borrowings, excluding obligations under finance leases	189,381,881	43,968,605	504,732	727,105	(6,776)	28,823	(66,053,583)	168,550,787
Non-current obligations under finance leases	49,371,713	–	–	97,139	–	4,665,203	(8,224,966)	45,909,089
Derivatives	360,877	–	–	–	(313,300)	–	–	47,577
Total liabilities from financing Activities	₱258,080,251	(₱29,899)	₱543,645	₱921,799	(₱320,076)	₱4,694,026	(₱1,602,658)	₱262,287,088

38. Registrations with the Board of Investments (BOI)

a. Power Segment

Certain power generation companies in the Group have been registered with the BOI. Accordingly, they are entitled to, among others, ITH incentives covering four (4) to seven (7) years. The ITH shall be limited only to sales/revenue generated from sales of electricity of the power plant and revenues generated from the sales of carbon emission reduction credits. To be able to avail of the incentives, the companies are required to maintain a minimum equity level. As of December 31, 2018 and 2017, these companies have complied with the requirements.

b. Food Manufacturing Segment

- *PILMICO*

  On October 9, 2015, the BOI approved the registration of Pilmico's feedmill plant expansion as "Expanding Producer of Animal Feeds" (2015-210) on a nonpioneer status under the Omnibus Investment Code of 1987. Among others, said registration entitles PILMICO to three-year ITH from January 2016 or actual start of commercial operations, whichever is earlier, and importation of capital equipment at zero duty for a period of five years.

- *PANC*

  PANC has been registered with the BOI and granted the following incentives:
  - ITH for a period of three to four years;

Type of Registration	BOI Approval Date	Start of ITH Period	ITH Period
Expanding producer of hogs	March 19, 2014	July 2014[1]	3 years
Expanding Producer of Animal Feeds	June 24, 2016	July 2016[1]	3 years
New Producer of Table Eggs and By- Products	April 7, 2015	October 2015[1]	4 years
New Producer of Hogs and Pork Meat	July 16, 2017	July 2017[1]	3years

[1] *Or actual start of commercial operations, whichever is earlier, but not earlier than registration date,*

  - Importation of capital equipment at zero duty for a period of five years from date of registration;
  - Other tax and duty exemptions on purchase of certain inventories.

  As of December 31, 2018, PANC has complied with the terms and conditions indicated in the above BOI registrations.

c. Infrastructure Segment

On January 24, 2018, the BOI approved Apo Agua's application for registration as new operator of Bulk Water Supply (Davao City Bulk Water Project) under the 2017 IPP on a non-pioneer status under Omnibus Investments Code of 1987. The BOI issued the Certificate of Registration on April 12, 2018 which entitles Apo Agua to an ITH of four years from February 2022 or actual start of commercial operations, whichever is earlier but availment shall in no case be earlier than the date of registration.

39. Rate Regulation, Power Supply and Other Agreements

a. Certain subsidiaries are subject to the ratemaking regulations and regulatory policies by the ERC.

b. Steam Supply Agreement

On May 26, 2013, APRI's steam supply contract with Chevron Geothermal Philippines Holdings, Inc. (CGPHI) shifted to a Geothermal Resource Sales Contract (GRSC). The change is due to an existing provision under the government's existing contract with CGPHI when the Tiwi-Makban facilities were bidded out under the former's privatization program. Under the GRSC, the effective steam price of APRI payable to CGPHI will be at a premium to coal.

To ensure that APRI will continue to remain competitive in the market, a two-month interim agreement supplementing the GRSC was implemented on August 4, 2013 and extended until August 25, 2018. On August 24, 2018, a new contract was signed by the Company and Philippine Geothermal Production Company, Inc. which aims to ensure long-term operations of both parties. The Geothermal Resources Supply and Services Agreement took effect August 26, 2018.

Total steam supply cost incurred by APRI, reported as part of "Cost of generated power" amounted to ₱5.23 billion in 2018, ₱4.98 billion in 2017 and ₱4.11 billion in 2016.

b. Coal Supply Agreements (CSA)

TLI enters into short-term CSA. Outstanding coal supply agreements as of December 31, 2018 have aggregate supply amounts of 1,840,000 MT (equivalent dollar value is estimated to be at US$210 million) which are due for delivery from January 2019 to December 2019. Terms of payment are by letter of credit where payment is due at sight against presentation of documents, and by telegraphic transfer where payment is due within 7 days from receipt of original invoice.

GMCP has a current coal supply agreement with PT Arutmin Indonesia (Seller) for the delivery of coal, which is effective until November 2, 2019. In addition, a supply backstop deed was included in the CSA wherein PT Kaltim Prima Coal (Obligor) irrevocably and unconditionally undertakes for the benefit of GMCP the due and punctual performance of the Seller of each and all of their obligations, duties and undertakings pursuant to the coal supply agreement, when and such obligations, duties and undertakings shall become due and performable according to the terms of the CSA; provided that the undertaking of the Obligor hereunder shall be limited to 1,000,000 tonnes of substitute coal per delivery year.

d. Lease Agreements

- *APRI*

  On May 25, 2009, APRI entered into a lease agreement with PSALM for a parcel of land owned by the latter on which a portion of the assets purchased under the Asset Purchase Agreement (APA) is situated. The lease term is for a period of twenty-five (25) years commencing from the Closing Date as defined in the APA which falls on May 25, 2009. The rental fees for the whole term of 25 years amounting to ₱492.0 million were paid in full after the receipt by APRI of the Certificate of Effectivity on the lease. Total land lease charged to operations amounted to ₱19.7 million in 2018, 2017 and 2016.

- *GMCP*

  In August 2007, a 25-year lease agreement with Authority of the Freeport Area of Bataan for land at Bataan Economic Zone, used as an access road and right of way for electric power transmission lines.

  In January 2010, a 50-year land lease agreement with PMR Group Retirement Plan, Inc. (PGRPI), used for its power plant facilities. GMCP, upon mutual agreement of PGRPI, has the right and option to extend the lease for a period of twenty-five years. In August 2016, GMCP entered into another lease agreement with PGRPI for land to be used for staff house.

- *Sacasun*

  Sacasun entered into a contract for lease of land where the power plant is located. The contract pertains to rent for 25 years renewable upon mutual agreement by the parties. Prepaid rent amounts to ₱51.5 million and ₱50.8 million as of December 31, 2018 and 2017, respectively (see Note 7).

- *HI, HTI and HSI*

  HI, HTI and HSI entered into contracts with various lot owners for lease of land where their power plants arelocated. Terms of contract are for a period of 1 to 50 years renewable upon mutual agreement by the parties.

- *Therma Mobile*
  On April 26, 2014, a 10-year lease for portions of the breakwater area of the Navotas Fishport Complex (NFPC), including the mooring facility, marine and land transmission lines.

- *EAUC*
  Lease agreement with PEZA for a piece of land located inside Mactan Economic Zone for its power plant facilities.

- *TPVI*
  TPVI entered into a contract for lease of land where the power plant is located. The contract pertains to rent for 25 years renewable upon mutual agreement by the parties. Prepaid rent amounts to ₱516.0 million as of December 31, 2018 (see Notes 7, 16 and 41g).

Future minimum lease payments under the non-cancellable operating leases of GMCP, Sacasun, HI, HTI, HSI, Therma Mobile, EAUC and TPVI are as follows (amounts in millions):

	2018	2017
Not later than 1 year	**₱292.9**	₱252.3
Later than 1 year but not later than 5 years	**749.5**	736.7
Later than 5 years	**6,039.2**	5,619.7

Total lease charged to operations related to these contracts amounted to in ₱263.5 million in 2018, ₱163.7 million in 2017 and ₱38.5 million in 2016 (see Note 27).

e. Joint Venture Agreement
On March 17, 2015, Apo Agua entered into a Joint Venture Agreement (JVA) with the Davao City Water District (DCWD) in accordance with the Guidelines and Procedures for Entering into JVAs between Government and Private Entities issued by the National Economic Development Authority. Based on the JVA, Apo Agua shall undertake the development and operations of a treated bulk water supply facility while the DCWD shall assign a water permit to Apo Agua to enable it to operate the treated bulk water supply facility that shall generate revenues, primarily from the supply of treated bulk water to the DCWD. The principal place of business of the joint venture shall be in Davao City.

Pursuant to the JVA, Apo Agua entered into a Bulk Water Purchase Agreement (BWPA) with the DCWD for the supply and delivery of treated bulk water to the latter.

Under the BWPA, Apo Agua shall supply and deliver to the DCWD an agreed volume of Treated Bulk Water sourced from the Tamuga River, for a delivery period of thirty (30) years beginning on the first day of the operations of the Facility. Under the BWPA, the Apo Agua shall be entitled to a fixed rate per cubic meter of water delivered, subject to an annual rate adjustment that is based on the Annual Inflation Rate as determined by the National Statistical Coordination Board. The ownership, commissioning, operation, and management of the Facility required for the delivery of the Treated Bulk Water to the DCWD shall be vested in Apo Agua. Although the legal title to these assets shall remain with Apo Agua at the end of the concession period, the concession period is for the entire estimated useful life of the assets.

40. Contingencies

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

AP obtained standby letters of credit (SBLC) and is acting as surety for the benefit of certain associates and a subsidiary in connection with loans and credit accommodations. It provided SBLC for STEAG, SNAP-Magat, SNAP-Benguet, and CEDC in the amount of ₱1.02 billion in 2018, ₱1.04 billion in 2017 and ₱1.15 billion in 2016.

41. Other Matters

a. Renewable Energy Act of 2008
On January 30, 2009, R.A. No. 9513, *An Act Promoting the Development, Utilization and Commercialization of Renewable Energy Resources and for Other Purposes*, which shall be known as the "Renewable Energy Act of 2008" (the Act), became effective. The Act aims to (a) accelerate the exploration and development of renewable energy resources such as, but not limited to, biomass, solar, wind, hydro, geothermal and ocean energy sources, including hybrid systems, to achieve energy self-reliance, through the adoption of sustainable energy development strategies to reduce the country's dependence on fossil fuels and thereby minimize the country's exposure to price fluctuations in the international markets, the effects of which spiral down to almost all sectors of the economy; (b) increase the utilization of renewable energy by institutionalizing the development of national and local capabilities in the use of renewable energy systems, and promoting its efficient and cost-effective commercial application by providing fiscal and non-fiscal incentives; (c) encourage the development and utilization of renewable energy resources as tools to effectively prevent or reduce harmful emissions and thereby balance the goals of economic growth and development with the protection of health and environment; and (d) establish the necessary infrastructure and mechanism to carry out mandates specified in the Act and other laws.

As provided for in the Act, renewable energy (RE) developers of RE facilities, including hybrid systems, in proportion to and to the extent of the RE component, for both power and non-power applications, as duly certified by the DOE, in consultation with the BOI, shall be entitled to incentives, such as, ITH, duty-free importation of RE machinery, equipment and materials, zero percent VAT rate on sale of power from RE sources, and tax exemption of carbon credits, among others.

b. EPIRA of 2001
RA No. 9136 was signed into law on June 8, 2001 and took effect on June 26, 2001. The law provides for the privatization of NPC and the restructuring of the electric power industry. The Implementing Rules and Regulations (IRR) were approved by the Joint Congressional Power Commission on February 27, 2002.

R.A. No. 9136 and the IRR impact the industry as a whole. The law also empowers the ERC to enforce rules to encourage competition and penalize anti-competitive behavior.

R.A. No. 9136, the EPIRA, and the covering IRR provides for significant changes in the power sector, which include among others:

i. The unbundling of the generation, transmission, distribution and supply and other disposable assets of a company, including its contracts with IPPs and electricity rates;
ii. Creation of a WESM; and
iii. Open and non-discriminatory access to transmission and distribution systems.

The law also requires public listing of not less than 15% of common shares of generation and distribution companies within 5 years from the effectivity date of the EPIRA. It provides cross ownership restrictions between transmission and generation companies and a cap of 50% of its demand that a distribution utility is allowed to source from an associated company engaged in generation except for contracts entered into prior to the effectivity of the EPIRA.

There are also certain sections of the EPIRA, specifically relating to generation companies, which provide for a cap on the concentration of ownership to only 30% of the installed capacity of the grid and/or 25% of the national installed generating capacity.

c. <u>Temporary Restraining Order (TRO) affecting Power Generation Companies trading in WESM</u>

On December 19, 2013, Bayan Muna representatives filed a Petition for Certiorari against the ERC and the Manila Electric Company (MERALCO) with the Supreme Court (SC). On December 20, 2013, National Association of Electricity Consumers for Reforms filed a Petition for Certiorari and/or Prohibition against MERALCO, ERC and DOE. These cases raised and questioned, among others, the alleged substantial increase in MERALCO's power rates for the billing period of November 2013, the legality of Sections 6, 29 and 45 of the EPIRA, the failure of ERC to protect consumers from the high energy prices and the perceived market collusion of the generation companies.

These cases were consolidated by the SC which issued a TRO for a period of 60 days from December 23, 2013 to February 21, 2014, preventing MERALCO from collecting the increase in power rates for the billing period of November 2013. The TRO was subsequently extended for another 60 days ending April 22, 2014 by the SC. Thereafter, the TRO was extended indefinitely.

MERALCO, in turn, filed a counter-petition impleading generation companies supplying power to the WESM. The SC also ordered all the parties in the consolidated cases to file their respective pleadings in response to MERALCO's counter-petition. The Supreme Court set the consolidated cases for oral arguments last January 21, February 4 and 11, 2014. After hearing, all parties were ordered to file their comments and/or memorandum. The case is now submitted for resolution.

As a result of the TRO, Meralco has not been able to fully bill its consumers for the generation costs for the supply month of November 2013; and in turn, it has not been able to fully pay its suppliers of generation costs. As of December 31, 2018, the SC has not lifted the TRO.

d. Imposition of financial penalties on Therma Mobile by the Philippine Electricity Market Corporation (PEMC)

This case involves an investigation of Therma Mobile in the dispatch of its power barges during the November and December 2013 supply period. As a result of the Meralco price hike case brought before the SC, the SC ordered the ERC to investigate anti-competitive behavior and abuse of market power allegedly committed by some WESM participants.

PEMC conducted the investigation under the "Must-Offer" rules of the WESM Rules.

PEMC initially found that Therma Mobile violated the "Must-Offer Rule" during the period under investigation. In its letter dated January 30, 2015, the PEM Board imposed financial penalties amounting to ₱234.9 million on Therma Mobile. According to the PEM Board, the penalties will be collected from Therma Mobile through the WESM settlement process.

Therma Mobile maintains that there is no basis for the PEMC decision. It did not violate the Must-Offer Rule, for the period ended, as it was physically impossible for Therma Mobile to transmit more than 100MW to Meralco. Although Therma Mobile's rated capacity is 234 MW (Net), it could only safely, reliably and consistently deliver 100MW during the November and December 2013 supply period because of transmission constraints. Therma Mobile's engines and transmission lines were still undergoing major repairs to address issues on post rehabilitation.

Last February 13, 2015, Therma Mobile filed a notice of dispute with the PEMC to refer the matter to dispute resolution under the WEM Rules and the WESM Dispute Resolution Market Manual.

Therma Mobile also filed a Petition for the Issuance of Interim Measures of Protection with the Regional Trial Court (RTC) of Pasig to hold off enforcement of the payment of the penalties during the pendency of the Therma Mobile and PEMC dispute resolution proceedings. Last February 24, 2015, the RTC issued in favor of Therma Mobile an ex parte 20-day Temporary Order of Protection directing PEMC to refrain from (a) demanding and collecting from Therma Mobile the ₱234.9 million financial penalty; (b) charging and accruing interest on the financial penalty; and (c) transmitting the PEMC-ECO investigation report to the ERC.

On April 1, 2015, the RTC granted the prayer for the issuance of Writ of Preliminary Injunction, which ruling was assailed by the PEMC and elevated to the Court of Appeals (CA) via Petition for Review. On December 15, 2015, the CA issued a Decision confirming the RTC's findings.

On June 6, 2016, PEMC filed a petition before the SC questioning the CA's Decision. TMO also filed its Comment on the Petition on November 14, 2016. On June 1, 2017, TMO received the SC Notice dated March 29, 2017. In the Resolution, the SC noted TMO's Comment and PEMC's Reply. As of December 31, 2018, the petition is still pending resolution with the SC.

e. Therma Marine Case

In 2013, ERC issued Final Approval of various ESAs of Therma Marine with some modifications on ERC's provisionally approved rates which directed both parties to devise a scheme for the refund of the difference between the final and the provisionally approved rates.
On November 25, 2013, ERC issued its order for Therma Marine to refund the amount of ₱180.0 million to its customers for a period of 6 months with equal installments per month.

On August 27, 2014, ERC issued an order directing NGCP to refund its customers the amount of ₱12.7 million and the corresponding VAT for a period of twelve months. As such, Therma Marine will refund the said amount to NGCP and the latter will refund the same to its customers.

In 2015, ERC issued Provisional Approvals (PA) on ESA contracts extensions with capacity fees lower than the previously approved rates. Therma Marine filed MRs on these PAs. During the last quarter of 2015, ERC issued Final Approvals on some of these ESA's sustaining the decision in the PA's, thus Therma Marine filed MRs on the final decisions. As of December 31, 2018, there has been no resolution on the MRs on the Final Approvals.

f. ERC Case No. 2013-077 MC

On August 29, 2013, MERALCO filed a petition for dispute resolution against TLI/APRI, among other Successor Generating Companies ("SGCs") under ERC Case No. 2013-077 MC. The case arose from a claim of refund of the alleged over charging of transmission line losses pursuant to the ERC Order dated March 4, 2013 and July 1, 2013 in ERC Case No. 2008-083 MC.

On September 20, 2013, TLI, together with the other SGCs, filed a Joint Motion to Dismiss arguing that MERALCO's petition should be dismissed for failure to state a cause of action and ERC's lack of jurisdiction over the subject matter of the case. The SGCs and Meralco have filed their respective comments, reply, rejoinder and sur-rejoinder after the filing of the Joint Motion to Dismiss. The Joint Motion to Dismiss has since then been submitted for resolution with the ERC. As of December 31, 2018, the ERC has yet to render its decision on the Joint Motion to Dismiss.

g. Sergio Osmeña III vs. PSALM, Emmanuel R. Ledesma, Jr., SPC Power Corporation (SPC) and Therma Power Visayas, Inc. (TPVI)

In 2009, SPC acquired through a negotiated bid the 153.1MW Naga Land-Based Gas Turbine Power Plant ("Naga Plant") in Naga, Cebu. In the same year, it entered into a Land Lease Agreement (LLA) with PSALM, which includes SPC's right to top (RTT) the price of a winning bidder for the sale of any property in the vicinity of the leased premises.

PSALM subsequently bid out the Naga Plant located in the leased premises. On April 30, 2014 and after two failed biddings, PSALM issued a Notice of Award to TPVI for submitting the highest bid for the Naga Plant. SPC wrote PSALM of its intent to exercise its RTT the winning bid, on the condition that the LLA would be for a term of 25 years from closing date.

Senator Sergio Osmeña III filed with the Supreme Court (SC) a Petition for Certiorari and Prohibition with prayer for issuance of a TRO and/or Writ of Preliminary Injunction dated June 16, 2014 (the "Case") with PSALM, Emmanuel R. Ledesma, SPC and TPVI as respondents to enjoin PSALM from making the award of the Naga Plant to SPC. In his petition, Sen. Osmeña argued that the RTT should be held invalid as it defeats the purpose of a fair and transparent bidding for a government asset and it discourages interested bidders considering the unfair advantage given to SPC.

On July 25, 2014, PSALM awarded the contract to SPC, despite TPVI's objection on the ground that SPC did not validly exercise its right to top because of its qualified offer. Thereafter, an APA for the Naga Plant was executed between PSALM and SPC.

On September 28, 2015, the SC declared in the Case that the RTT and the APA executed in favor of SPC are null and void. The parties thereafter filed various motions for reconsideration which the SC subsequently denied.

On March 16, 2016, TPVI filed its Manifestation/Motion praying that the Notice of Award dated April 30, 2014 be reinstated and that respondent PSALM be ordered to execute the Asset Purchase Agreement (“NPPC-APA”), Land Lease Agreement (“NPPC-LLA”) and other documents to implement TPVI’s acquisition of the Naga Plant.

On April 6, 2016, the SC issued a Resolution that required PSALM and SPC to comment on TPVI’s Manifestation/Motion. In the same Resolution, the SC denied the motion for leave to file and admit SPC’s second motion for reconsideration and referral to the SC en banc.

On July 19, 2016, TPVI filed its Manifestation with Omnibus Motion to clarify the motion dated March 16, 2016 and for early resolution. TPVI prayed that the SC Decision dated September 28, 2015 be clarified, and if necessary, be amended to include in its “fallo” that the Notice of Award in favor of TPVI be reinstated.

In response to various motions, the SC issued a Notice of Judgment and Resolution dated October 5, 2016 clarifying that the nullification of SPC’s right to top did not invalidate the entire bidding process. Thus, the SC ordered the reinstatement of the Notice of Award dated April 30, 2014 in favor of TPVI. Further, the SC annulled and set aside the APA and the LLA executed between SPC and PSALM and directed PSALM to execute with dispatch the NPPC-APA and the NPPC-LLA in favor of TPVI.

On October 26, 2016, SPC filed an Urgent Motion for Reconsideration with Alternative Motion to Refer to the En Banc of the SC. SPC reiterated its prayer for the reversal of the October 5, 2016 Resolution, denial of TPVI’s Manifestation/Motion and for the conduct of a new round of bidding for the Naga Plant. PSALM also filed its Motion for Reconsideration with Leave and prayed that the SC’s October 5, 2016 Resolution be re-examined and/or reconsidered.

In its Resolution dated November 28, 2016, the SC denied SPC’s and PSALM’s motions for reconsideration (of the October 5, 2016 Resolution) with finality. The SC ordered that no further pleadings, motions, letters, or other communications shall be entertained in the Case, and it ordered the issuance of Entry of Judgment.

Notwithstanding the above SC Resolution, SPC filed its Motion for Leave to File and Admit (Motion for Reconsideration dated 9 December 2016) with attached Motion for Reconsideration dated December 9, 2016. Thereafter, SPC filed its Supplemental Motion/Petition for Referral to the Banc dated January 16, 2017.

On February 14, 2017, TPVI received a copy of the Entry of Judgment which states that the October 5, 2016 Resolution of the SC has become final and executory on November 28, 2016.

In May 2018, TPVI received the Certificate of Effectivity (COE) from PSALM initiating the purchase of the facility. The COE implements the September 28, 2015 decision of the SC, which upheld the April 30, 2014 award of the facility to TPVI. Pursuant to the NPPC-APA, on

July 16, 2018 ("Closing date"), the Joint Certificate of Turn-Over was signed and issued and the facility was formally turned-over to TPVI.

TPVI paid a total amount of ₱1.03 billion for the NPPC-APA and NPPC-LLA and ₱495.97 million for the inventories upon implementation of the acquisition of the Naga Power Plant.

h. DLP Case

On December 7, 1990, certain customers of DLP filed before the then Energy Regulatory Board (ERB) a letter-petition for recovery claiming that with the SC's decision reducing the sound appraisal value of DLP's properties, DLP exceeded the 12% Return on Rate Base (RORB). The ERB's order dated June 4, 1998, limited the computation coverage of the refund from January 19, 1984 to December 14, 1984. No amount was indicated in the ERB order as this has yet to be recomputed.

The CA, in Court of Appeals General Register Special Proceeding (CA-GR SP) No. 50771, promulgated a decision dated February 23, 2001 which reversed the order of the then ERB, and expanded the computation coverage period from January 19, 1984 to September 18, 1989.

The SC in its decision dated November 30, 2006 per GR150253 reversed the CA's decision CA-GR SP No. 50771 by limiting the period covered for the refund from January 19, 1984 to December 14, 1984, approximately 11 months. The respondent/customers filed a Motion for Reconsideration with the SC, which was denied with finality by the SC in its Order dated July 4, 2007.

The SC, following its decision dated November 30, 2006, ordered the ERC to proceed with the refund proceedings instituted by the respondents with reasonable dispatch.
On March 17, 2010, the ERC directed DLP to submit its proposed scheme in implementing the refund to its customers. In compliance with the order, the DLP filed its compliance stating that DLP cannot propose a scheme for implementing a refund as its computation resulted to no refund.

A clarificatory meeting was held where DLP was ordered to submit its memoranda.

On October 4, 2010, in compliance with the ERC directive, DLP submitted its memoranda reiterating that no refund can be made. After which, no resolution has been received by DLP from the ERC as of December 31, 2018.

i. LHC Franchise Tax Assessment

In 2007, the Provincial Treasurer of Benguet issued a franchise tax assessment against LHC, requiring LHC to pay franchise tax amounting to approximately ₱40.4 million, inclusive of surcharges and penalties covering the years 2002 to 2007. In 2008, LHC has filed for a petition for the annulment of the franchise tax assessment, based primarily on the fact that LHC is not liable for franchise tax because it does not have a franchise to operate the business. Section 6 of R.A. No. 9136 provides that power generation shall not be considered a public utility operation. As such, an entity engaged or which shall engage in power generation and supply of electricity shall not be required to secure a national franchise. Accordingly, no provision has been made in the consolidated financial statements. The case remains pending as of December 31, 2018.

j. Retail Competition and Open Access

The EPIRA mandates the implementation of Retail Competition and Open Access (RCOA) subject to the fulfilment of the conditions as provided in the EPIRA. The ERC was tasked under the EPIRA Implementing Rules and Regulations to declare, after due notice and public hearing, the initial implementation of RCOA. Through the RCOA, eligible customers will have the option to source their electricity from eligible suppliers that have secured Retail Electricity Supplier (RES) licenses from the ERC. End users with a monthly average peak demand of at least 1 Megawatt (MW) for the preceding 12 months are eligible to be contestable customers. The 1 MW qualification would gradually be reduced upon evaluation of the ERC.

In June 2011, after due notice and public hearings, the ERC declared December 26, 2011 as the date to mark the commencement of the full operation of RCOA in Luzon and Visayas. However, due to deficiencies in the rules and guidelines governing the RCOA at that time, the December 26, 2011 commencement date was deferred several times until an interim system commenced on July 26, 2013.

The DOE and ERC have issued and revised several circulars, rules and resolutions on the implementation of the RCOA and the issuance of RES licences, including a Code of Conduct, Rules on Contestability, and Rules on RES Licencing.

On February 21, 2017, the SC issued a TRO enjoining the DOE and ERC from implementing the following issuances:

1. DOE Circular No. DC-2015-06-0010 or the DOE Circular Providing Policies to Facilitate the Full Implementation of RCOA in the Philippine Electric Power Industry;
2. ERC Resolution No. 5, Series of 2016 or the Rules Governing the Issuance of Licenses to RES and Prescribing the Requirements and Conditions Therefor;
3. ERC Resolution No. 10, Series of 2016 or a Resolution adopting the Revised Rules for Contestability;
4. ERC Resolution No. 11, Series of 2016 or a Resolution Imposing Restrictions on the Operations of DUs and RES in the Competitive Retail Electricity Market; and
5. ERC Resolution No. 28, Series of 2016 or the Revised Timeframe for Mandatory Contestability, Amending Resolution No. 10, Series of 2016, entitled Revised Rules of Contestability.

The TRO effectively enjoined the DOE and the ERC from imposing the mandatory migration of end-users with average monthly peak demand of at least 1MW and 750 kW on 26 February 2017 and 26 June 2017, respectively, and barring Local RESs and DUs from supplying electricity to the Contestable Market.

Due to the TRO, no new or renewed RES licenses were issued by the ERC due to the perceived risk of being declared in contempt by the SC. The renewal of PEI, AEI and AESI's RES licenses remain pending before the ERC. The application for RES licenses of TLI and APRI are likewise pending.

On November 29, 2017, DOE issued Department Circular No. 2017-12-0013, which provides, among other things, for voluntary participation of Contestable Customers in the Retail Market. On the same date, DOE issued Department Circular No. 2017-12-0014, which provides, among other things, the guidelines on the licensing of RES. Both DOE Circulars enjoin the ERC to promote the supporting guidelines to the DOE Circulars. Once the ERC promulgates these rules, approval of RES license applications and renewals can be expected.

k. PSALM deferred adjustment

Deferred Accounting Adjustments (DAA)
The ERC issued a Decision dated March 26, 2012 which granted PSALM DAA pertaining to GRAM and ICERA and in its Order dated June 20, 2017, the ERC authorized PSALM to implement the methodology for the recovery/refund of the approved DAA.

Upon Private Electric Power Operators Association's (PEPOA) motion, the ERC, in an Order dated October 19, 2017, deferred the implementation of the approved DAA pending clarification by the ERC of the queries raised in the motion for clarification.

In its Order dated December 19, 2017, the ERC clarified that the GRAM and ICERA DAA are deferred adjustments, which were incurred by PSALM/NPC in supplying energy during the corresponding period; thus, it should be recovered/refunded by PSALM/NPC to its customers. Hence, the Distribution Utilities (DUs) are not just mere collectors of the said DAA but these are charges that they should pay to NPC/PSALM and charged to their customers as part of their generation charge. In the same Order, the ERC directed the DUs to resume the implementation of the GRAM and ICERA starting the January 2018 billing period.

Automatic Cost Recovery Mechanism (ACRM)
On June 20, 2017, the ERC issued its Decision, authorizing PSALM to recover/refund the True-up Adjustments of Fuel and Purchased Power Costs and Foreign Exchange-Related Costs effective its next billing period.

In an Order dated October 19, 2017, the implementation of the ACRM was deferred to the January 2018 billing period pending the evaluation of the clarifications raised in PEPOA's letter and motion and on 19 December 2017, the Commission issued an Order directing PSALM and the DUS to abide with the clarifications issued by the Commission.

42. **Events after the Reporting Period**

To comply with the requirements of Section 43 of the Corporation Code, on March 7, 2019, the BOD approved the declaration of a regular cash dividend of ₱1.32 per share (₱7.44 billion) to all stockholders of record as of March 21, 2019. These dividends will be taken out of the unrestricted retained earnings as of December 31, 2018, and will be paid on April 5, 2019. 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.

The Group received approval from the Philippine Competition Commission on February 28, 2019 for the acquisition of the 49% voting stake and 60% economic stake in AA Thermal, Inc. for a total cash consideration of $579.2 million (Base price, subject to adjustment at closing). The Group expects to close the acquisition shortly upon receipt of all conditions precedent.

ABOITIZ EQUITY VENTURES, INC.
AND SUBSIDIARIES

Supplementary Schedules
to the Financial Statements
Required by the Securities and Exchange Commission
For the Year Ended December 31, 2018

and

Independent Auditor's Report

Philippine
Pesos

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

Supplementary Schedules Required
By the Securities and Exchange Commission
As of and for the Year Ended December 31, 2018

NA: NOT APPLICABLE

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE A - FINANCIAL ASSETS

AS OF DECEMBER 31, 2018
(Amounts in Thousands)

Name of Issuing Entity	Number of Shares	Amount Shown in the Balance Sheet	Value Based on Market Quotation at Balance Sheet Date	Income Received or Accrued
Cash In Bank				
ANZ	Not applicable	P 67,343	Not applicable	P -
Agri Bank, Song Than	Not applicable	2,617	Not applicable	2
Agriculutre Bank of China	Not applicable	152,493	Not applicable	121
Allied Bank	Not applicable	-	Not applicable	8
Asian United Bank	Not applicable	144	Not applicable	4
Banco de Oro	Not applicable	6,040,803	Not applicable	17,821
Bangkok Bank Public Company Limited	Not applicable	6,842	Not applicable	13
Bank Central Asia	Not applicable	52,662	Not applicable	241
Bank Mandiri	Not applicable	3,268	Not applicable	39
Bank Muamalat	Not applicable	8,570	Not applicable	-
Bank of China	Not applicable	56,377	Not applicable	88
Bank of Commerce	Not applicable	647	Not applicable	9
Bank of the Philippine Islands	Not applicable	788,212	Not applicable	16,257
BDO Private Bank, Inc.	Not applicable	906	Not applicable	11
BDO Unibank, Inc.	Not applicable	-	Not applicable	5,039
China Banking Corporation	Not applicable	-	Not applicable	37,488
China Merchants Bank	Not applicable	5,545	Not applicable	11
China Trust Banking Corporation	Not applicable	-	Not applicable	40,852
Citibank	Not applicable	5,047	Not applicable	-
City Savings Bank	Not applicable	943	Not applicable	75,534
Commerce International Merchant Bankers Berhad (CIMB)	Not applicable	58,939	Not applicable	2
Development Bank of the Philippines	Not applicable	10,828	Not applicable	1
Eastwest Banking Corporation	Not applicable	-	Not applicable	52
Hongkong Shanghai Banking Corporation	Not applicable	1,000,049	Not applicable	1,608
ING Bank N.V.	Not applicable	359,581	Not applicable	-
JP Morgan	Not applicable	3,151	Not applicable	34
Kasikom bank	Not applicable	1,942	Not applicable	32
Landbank of the Philippines	Not applicable	22,221	Not applicable	40
Malayan Banking Berhad	Not applicable	2,672	Not applicable	-
Maybank Corporation	Not applicable	157	Not applicable	139
MCB bank	Not applicable	3	Not applicable	-
Meezan Bank Limited	Not applicable	10,657	Not applicable	-
Metropolitan Bank and Trust Company	Not applicable	276,616	Not applicable	953
MFTB Bank	Not applicable	281	Not applicable	-
Mizuho Corporatet Bank, Ltd.	Not applicable	437	Not applicable	3
OCBC	Not applicable	914	Not applicable	-
One Network Bank	Not applicable	6,478	Not applicable	-
PB Com	Not applicable	182	Not applicable	9
Philippine Business Bank	Not applicable	-	Not applicable	7
Philippine National Bank	Not applicable	69,361	Not applicable	475

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ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE A - FINANCIAL ASSETS

AS OF DECEMBER 31, 2018
(Amounts in Thousands)

Name of Issuing Entity	Number of Shares	Amount Shown in the Balance Sheet	Value Based on Market Quotation at Balance Sheet Date	Income Received or Accrued
Philippine Veterans Bank	Not applicable	455	Not applicable	-
PT Bank Permata	Not applicable	46	Not applicable	-
Rich Bank	Not applicable	277	Not applicable	-
Rizal Commercial Banking Corporation	Not applicable	71,399	Not applicable	361
Robinson's Bank	Not applicable	-	Not applicable	27
Rural Credit Cooperatives Association	Not applicable	311	Not applicable	1
Sacombank	Not applicable	47,663	Not applicable	95
Security Bank Corporation	Not applicable	316,850	Not applicable	48,784
Standard Chartered Bank	Not applicable	284,034	Not applicable	659
Sterling Bank of Asia	Not applicable	-	Not applicable	27
The Bank of China Construction	Not applicable	9,945	Not applicable	20
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	Not applicable	879	Not applicable	2
The Siam Commercial Bank Public Company Limited	Not applicable	148	Not applicable	5
Union Bank of the Philippines	Not applicable	4,652,364	Not applicable	61,633
United Coconut Planters Bank	Not applicable	-	Not applicable	27
Vietcom Bank	Not applicable	84,099	Not applicable	173
Vietinbank	Not applicable	7,073	Not applicable	6
Vietnam Joint Stock Commercial Bank	Not applicable	130,984	Not applicable	85
T O T A L		**P 14,623,415**		**P 308,798**
Money Market Placements				
ANZ Bank	Not applicable	P -	Not applicable	P 61
Banco de Oro	Not applicable	3,246,735	Not applicable	48,481
BDO Private Bank, Inc.	Not applicable	50,000	Not applicable	3,903
Bangko Sentral ng Pilipinas	Not applicable	1,157,368	Not applicable	-
Bank of the Philippine Islands	Not applicable	1,957,088	Not applicable	25,277
Bank Muamalat Malaysia Berhad	Not applicable	22,897	Not applicable	1,453
China Trust Banking Corporation	Not applicable	1,730,028	Not applicable	56,308
City Savings Bank	Not applicable	10,833,126	Not applicable	205,965
Deutsche Bank Manila	Not applicable	-	Not applicable	957
Hongkong & Shanghai Banking Corporation	Not applicable	121,472	Not applicable	889
HSBC Bank Malaysia Berhad	Not applicable	7,501	Not applicable	91
First Metro Investment Corporation	Not applicable	-	Not applicable	1,402
JP Morgan	Not applicable	227,244	Not applicable	10,300
Metropolitan Bank and Trust Company	Not applicable	272,835	Not applicable	64,297
Philippine National Bank	Not applicable	7,991	Not applicable	65
Rizal Commercial Banking Corporation	Not applicable	9,161	Not applicable	-
Security Bank Corporation	Not applicable	4,277,323	Not applicable	104,340
Mizuho Corporate Bank, Ltd.	Not applicable	1,495,170	Not applicable	18,162
Sacombank, Dong Thap branch - VND	Not applicable	132,970	Not applicable	2,714
Vietinbank	Not applicable	-	Not applicable	22,817
Vietcombank	Not applicable	2,269	Not applicable	-

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ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE A - FINANCIAL ASSETS

AS OF DECEMBER 31, 2018
(Amounts in Thousands)

Name of Issuing Entity	Number of Shares	Amount Shown in the Balance Sheet	Value Based on Market Quotation at Balance Sheet Date	Income Received or Accrued
Union Bank of the Philippines	Not applicable	18,614,981	Not applicable	574,915
TOTAL		**P 44,166,159**		**P 1,142,397**
Trade Receivables				
Power	Not applicable	P 14,717,574	Not applicable	Not applicable
Real estate	Not applicable	3,982,424	Not applicable	Not applicable
Food manufacturing	Not applicable	2,913,959	Not applicable	Not applicable
Holding and others	Not applicable	5,612,256	Not applicable	Not applicable
TOTAL		**P 27,226,213**		
Other Receivables				
Advances to contractors	Not applicable	P 148,300	Not applicable	Not applicable
Dividends receivable	Not applicable	665,783	Not applicable	Not applicable
Accrued revenues	Not applicable	3,493,246	Not applicable	Not applicable
Non-trade receivables	Not applicable	6,967,769	Not applicable	Not applicable
Others	Not applicable	1,191,295	Not applicable	Not applicable
TOTAL		**P 12,466,393**		
Financial assets at FVTPL				
Publicly-listed:				
Empire East Land, Inc.	4,377,063	P 2,123	P 2,123	P -
Megaworld Properties, Inc.	1,842,750	8,753	8,753	-
Filinvest Development Corporation	160,316	1,892	1,892	12
Filinvest Land, Inc.	303,515	428	428	19
Others	623,303	12,754	-	-
Non-publicly-listed:				
Cebu Holdings, Inc.	1	1,038	-	-
Cebu Country Club	3	9,600	-	-
Equitable Banking Corporation	8,050	793	-	-
Philippine Long Distance and Telephone Company	44,344	560	-	-
Others	1,002,882	57,217	-	-
Investment in Exchange Traded Funds/Unit Investment Trust Fund				
Union Bank of the Philippines	2,050,350	199,895	199,895	-
Banco de Oro	-	58,681	-	10,802
TOTAL		**P 353,734**	**P 213,091**	**P 10,833**

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

AS DECEMBER 31, 2018
(Amounts in Thousands)

Name and Designation of Debtor	Beginning Balance	Additions	Deductions: Amounts Collected	Deductions: Amounts Written Off	Current	Non-Current	Ending Balance
TRADE							
Pilmico Animal Nutrition Corporation	**P 1,438**	P -	P (498)	P -	P 940	P -	**P 940**
Pilmico Foods Corporation	**-**	1,437	-	-	1,437	-	**1,437**
Cebu Praedia Development Corporation	**8**	-	(8)	-	-	-	**-**
Aboitiz Infracapital, Inc.	**4,127**	20,333	-	-	24,460	-	**24,460**
APO Agua Infrastructura Inc. Total	**-**	3,585	-	-	3,585	-	**3,585**
Lima Water Coporation	**571**	632	(571)	-	632	-	**632**
Weather Solutions, Inc.	**44**	3,243	-	-	3,287	-	**3,287**
PETNET, Inc.	**595**	-	(595)	-	-	-	**-**
Aboitizland, Inc.	**5,113**	17,844	(6,562)	-	16,395	-	**16,395**
Cebu Industrial Park Developers, Inc.	**44**	312	(244)	-	112	-	**112**
Lima Land, Inc.	**224**	825	-	-	1,049	-	**1,049**
Aboitiz Power Corporation	**34,354**	-	(28,495)	-	5,859	-	**5,859**
Aboitiz Energy Solutions, Inc.	**36**	40	(1)	-	75	-	**75**
Aboitiz Power Distributed Energy, Inc.	**-**	1,028	-	-	1,028	-	**1,028**
Aboitiz Power Distributed Renewables, Inc.	**-**	459	-	-	459	-	**459**
Aboitiz Renewables, Inc.	**43,211**	-	(43,211)	-	-	-	**-**
Advent Energy, Inc.	**-**	16		-	16	-	**16**
AP Renewables, Inc.	**(791)**	4,265	(750)	-	2,724	-	**2,724**
Aseagas Corporation	**-**	397		-	397	-	**397**
Balamban Enerzone Corp.	**20**	36	(24)	-	32	-	**32**
Cebu Private Power Corporation	**86**	32	-	-	118	-	**118**
Cotabato Ice Plant, Inc.	**(727)**	727	(732)	-	(732)	-	**(732)**
Cotabato Light and Power Company	**444**	56	(39)	-	461	-	**461**
Davao Light and Power Co., Inc.	**(297)**	2,664	(225)	-	2,142	-	**2,142**
East Asia Utilities Corp.	**399**	-	(267)	-	132	-	**132**
Hedcor Bukidnon, Inc.	**674**	254	-	-	928	-	**928**
Hedcor Sabangan, Inc.	**85**	-	(25)	-	60	-	**60**
Hedcor Sibulan, Inc.	**795**	1,975	-	-	2,770	-	**2,770**
Hedcor Tudaya, Inc.	**79**	108	-	-	187	-	**187**
Hedcor, Inc.	**2,543**	336	(19)	-	2,860	-	**2,860**
Lima Enerzone Corporation	**3,179**	-	(3,122)	-	57	-	**57**
Luzon Hydro Corporation	**387**	-	(98)	-	289	-	**289**
Mactan Enerzone Corporation	**297**	-	(252)	-	45	-	**45**
Manila-Oslo Renewable Enterprise, Inc.	**445**	-	(323)	-	122	-	**122**
Prism Energy, Inc.	**-**	554	-	-	554	-	**554**
San Carlos Sun Power, Inc.	**211**	80	-	-	291	-	**291**
SN Aboitiz Power - Benguet, Inc.	**634**	437	-	-	1,071	-	**1,071**
SN Aboitiz Power - Generation, Inc.	**14**	-	(6)	-	8	-	**8**
SN Aboitiz Power - Magat, Inc.	**-**	1,050	-	-	1,050	-	**1,050**
Steag State Power Inc	**-**	9	-	-	9	-	**9**
Subic Enerzone Corporation	**2,619**	-	(2,090)	-	529	-	**529**
Therma Luzon, Inc.	**(820)**	9,378	(1,001)	-	7,557	-	**7,557**
Therma Marine, Inc.	**839**	2,065	-	-	2,904	-	**2,904**
Therma Mobile, Inc.	**297**	-	(167)	-	130	-	**130**
Therma Visayas, Inc.	**4,536**	-	(1,154)	-	3,382	-	**3,382**
Therma Power, Inc.	**90**	-	(90)	-	-	-	**-**
Therma South, Inc.	**3,769**	-	(2,077)	-	1,692	-	**1,692**
Visayan Electric Co., Inc.	**99,759**	-	(20,860)	-	78,899	-	**78,899**
NON-TRADE							
AEV Aviation, Inc.	**-**	4,032	-	-	4,032	-	**4,032**
Cebu Praedia Development Corporation	**131,458**	814	(61,458)	-	60,814	10,000	**70,814**
Pilmico Foods Corporation	**295,812**	5,178	(5,812)	-	5,178	290,000	**295,178**
Adventenergy, Inc.	**300,000**	3,459	-	-	3,459	300,000	**303,459**
Therma Power, Inc.	-	631,574	-	-	631,574	-	**631,574**
Total	**P 936,601**	**P 719,234**	**P (180,776)**	**P -**	**P 875,059**	**P 600,000**	**P 1,475,059**

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE D - INTANGIBLE ASSETS AND OTHER ASSETS

AS OF DECEMBER 31, 2018
(Amount in Thousands)

Description	Beginning Balance	Additions At Cost	DEDUCTIONS Charged to Costs and Expenses	Charged to Other Accounts	Other Changes Additions (Deductions)	Discontinued Operation	Ending Balance
A. Intangibles							
Goodwill	P 41,308,689	P 14,953,222	P -	P -	P -	P -	P 56,261,911
Intangible asset - service concession right	3,062,307	961,827	(361,484)	-	128,727	-	3,791,377
B. Other Noncurrent Assets							
Input VAT and tax credit receivable	6,765,238	-	(1,302,255)	-	-	-	5,462,983
PSALM deferred adjustment - net of current portion	-	3,183,089					3,183,089
Intangible assets:							
Franchise	2,725,693	-	(76,961)	-	-	-	2,648,732
Project development costs	395,419	594,315	(405,603)	-	(1,036)	-	583,095
Software and licenses	171,644	86,948	(94,457)	-	200,872	-	365,007
Customer contracts	42,838	-	(15,409)	-	-	-	27,429
Prepaid rent and other deposits	1,171,570	450,992	(28,387)	-	1,632,720	-	3,226,895
Advances to contractors and projects	2,215,456	-	(1,116,709)	-	-	-	1,098,747
Biological assets	144,263	-	(10,119)	-	-	-	134,144
Others	1,005,830	179,016	-	-	-	-	1,184,846
T o t a l	**P59,008,947**	**P20,409,409**	**(P3,411,384)**	**P0**	**P1,961,283**	**P0**	**P77,968,255**

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE E - LONG-TERM DEBT

AS OF DECEMBER 31, 2018
(Amounts in Thousands)

Name of Issuer and Type of Obligation	Amount Authorized by Indentures	Amount Shown as Current	Amount Shown as Long-Term	Remarks
Parent Company:				
First Metro Investment Corporation	7,971,222	-	7,971,222	
BPI Capital Corporation	23,890,997	-	23,890,997	
Subsidiaries:				
Aboitiz Power Corporation	22,997,821	-	22,997,821	
AP Renewables, Inc.	9,207,164	1,209,185	7,997,979	
Hedcor, Inc.	1,827,786	88,414	1,739,372	
Hedcor Bukidnon, Inc.	9,213,643	534,379	8,679,264	
Hedcor Sibulan, Inc.	3,863,854	93,118	3,770,736	
Cotabato Light and Power Company	146,250	29,850	116,400	
Davao Light & Power Company, Inc.	731,250	149,250	582,000	
Subic Enerzone Corporation	169,500	56,500	113,000	
Pagbilao Energy Corporation	14,222,533	1,074,642	13,147,891	
Luzon Hydro Corporation	873,422	288,106	585,316	
Therma South, Inc.	21,175,346	1,282,338	19,893,008	
Therma Visayas, Inc.	31,193,746	-	31,193,746	
GNPower Mariveles Coal Plant Ltd. Co.	41,162,331	3,692,622	37,469,709	
Visayan Electric Company	973,045	199,000	774,045	
Pilmico Foods Corporation	2,800,893	1,322,144	1,478,749	
Pilmico Animal Nutrition Corp.	2,670,000	38,764	2,631,236	
AEV International and subsidiaries	13,563,350	644,662	12,918,688	
Aboitiz Infra Capital	2,778,214	-	2,778,214	
Total	**P211,432,367**	**P10,702,974**	**P200,729,393**	

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE H - CAPITAL STOCK

AS OF DECEMBER 31, 2018
(Amounts in Thousands)

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	Number of Shares Reserved for Options, Warrants, Conversions, and Other Rights	Number of Shares Held By		
				Affiliates	Directors, Officers and Employees	Others
COMMON SHARES	9,600,000	5,632,793	-	2,737,173	280,228	2,615,392
PREFERRED SHARES	400,000	-	-	-	-	-

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE I - TRADE AND OTHER RECEIVABLES FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

AS DECEMBER 31, 2018
(Amounts in Thousands)

Related Party	Balances			Volume			Terms
	Trade	Non-trade	Total	Sales	Rental	Advances	
TRADE							
Pilmico Animal Nutrition Corporation	P 940	P -	P 940	P 13,883	P 3	P -	30 days
Pilmico Foods Corporation	1,437	-	1,437	349,624	596	-	30 days
Cebu Praedia Development Corporation	-	-	-	2,556	-	-	30 days
AEV Aviation, Inc.	-	-	-	2,462	1	-	30 days
Aboitiz Infracapital, Inc.	24,460	-	24,460	32,645	774	-	30 days
APO Agua Infrastructura Inc. Total	3,585	-	3,585	5,759	81	-	30 days
Lima Water Coporation	632	-	632	1,286	-	-	30 days
Weather Solutions, Inc.	3,287	-	3,287	1,607	-	-	30 days
PETNET, Inc.	-	-	-	2,554	24	-	30 days
Aboitizland, Inc.	16,395	-	16,395	50,923	70	-	30 days
Cebu Industrial Park Developers, Inc.	112	-	112	2,199	-	-	30 days
Lima Land, Inc.	1,049	-	1,049	3,987	-	-	30 days
Misamis Oriental Land Development Corporation	-	-	-	340	-	-	30 days
Aboitiz Power Corporation	5,859	-	5,859	55,310	3,207	-	30 days
Aboitiz Energy Solutions, Inc.	75	-	75	1,414	6	-	30 days
Aboitiz Power Distributed Energy, Inc.	1,028	-	1,028	1,841	-	-	30 days
Aboitiz Power Distributed Renewables, Inc.	459	-	459	418	-	-	30 days
Aboitiz Renewables, Inc.	-	-	-	1,529	-	-	30 days
Abovant Holdings, Inc.	-	-	-	357	-	-	30 days
Advent Energy, Inc.	16	-	16	1,155	-	-	30 days
AP Renewables, Inc.	2,724	-	2,724	30,141	18	-	30 days
Aseagas Corporation	397	-	397	372	-	-	30 days
Balamban Enerzone Corp.	32	-	32	2,397	-	-	30 days
Cebu Private Power Corporation	118	-	118	2,404	1	-	30 days
Cotabato Ice Plant, Inc.	(732)	-	(732)	-	-	-	30 days
Cotabato Light and Power Company	461	-	461	8,898	-	-	30 days
Davao Light and Power Co., Inc.	2,142	-	2,142	86,340	11	-	30 days
East Asia Utilities Corp.	132	-	132	2,085	-	-	30 days
Hedcor Bukidnon, Inc.	928	-	928	5,494	-	-	30 days
Hedcor Sabangan, Inc.	60	-	60	1,040	-	-	30 days
Hedcor Sibulan, Inc.	2,770	-	2,770	8,171	-	-	30 days
Hedcor Tudaya, Inc.	187	-	187	1,115	-	-	30 days
Hedcor, Inc.	2,860	-	2,860	13,370	4	-	30 days
Hijos De F. Escano, Inc.	-	-	-	94	-	-	30 days
Lima Enerzone Corporation	57	-	57	16,298	-	-	30 days
Luzon Hydro Corporation	289	-	289	3,330	-	-	30 days
Mactan Enerzone Corporation	45	-	45	7,253	-	-	30 days
Malvar Enerzone Corporation	-	-	-	639	-	-	30 days
Manila-Oslo Renewable Enterprise, Inc.	122	-	122	2,527	-	-	30 days
Prism Energy, Inc.	554	-	554	1,094	-	-	30 days
San Carlos Sun Power, Inc.	291	-	291	1,973	-	-	30 days
SN Aboitiz Power - Benguet, Inc.	1,071	-	1,071	5,414	-	-	30 days
SN Aboitiz Power - Generation, Inc.	8	-	8	278	1	-	30 days
SN Aboitiz Power - Magat, Inc.	1,050	-	1,050	5,121	16	-	30 days
SN POWER Philippines, Inc.	-	-	-	184	-	-	30 days
Steag State Power Inc	9	-	9	-	-	-	30 days
Subic Enerzone Corporation	529	-	529	22,842	-	-	30 days
Therma Luzon, Inc.	7,557	-	7,557	47,345	57	-	30 days
Therma Marine, Inc.	2,904	-	2,904	17,641	79	-	30 days
Therma Mobile, Inc.	130	-	130	7,075	26	-	30 days
Therma Visayas, Inc.	3,382	-	3,382	16,972	4	-	30 days
Therma Power, Inc.	-	-	-	1,941	-	-	30 days
Therma South, Inc.	1,692	-	1,692	29,479	29	-	30 days
Visayan Electric Co., Inc.	78,899	-	78,899	307,355	6	-	30 days
NON-TRADE							
AEV Aviation, Inc.	-	4,032	4,032	-	-	-	30 days
Cebu Praedia Development Corporation	-	70,814	70,814	-	-	70,000	short & long term
Pilmico Foods Corporation	-	295,178	295,178	-	-	290,000	long term
Adventenergy, Inc.	-	303,459	303,459	-	-	300,000	long term
Therma Power, Inc.	-	631,574	631,574	-	-	630,960	on demand
Total	**P 170,002**	**P 1,305,057**	**P 1,475,059**	**P 1,188,531**	**P 5,014**	**P 1,290,960**	

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE J- TRADE AND OTHER PAYABLES TO RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

AS DECEMBER 31, 2018
(Amounts in Thousands)

	Balances			Volume			
Related Party	**Trade**	**Non-trade**	**Total**	**Purchases**	**Rental**	**Advances**	**Terms**
AEV Aviation, Inc.	P -	P 4,991	P 4,991	P -	P 53,374	P -	on demand
Cebu Praedia Development Corporation	-	84	84	-	9,356	-	on demand
Total	**P -**	**P 5,075**	**P 5,075**	**P -**	**P 62,730**	**P -**	

Aboitiz Equity Ventures, Inc.
32nd Street, Bonifacio Global City
Taguig City, Metro Manila

Statement of Reconciliation of Retained Earnings Available for Dividend Declaration
For the year ended December 31, 2018
(Amounts in Philippine Currency and in Thousands)

Unappropriated Retained Earnings, beginning	**26,668,038**
Adjustments:	
Less: Unrealized income, net of tax	
Unrealized foreign exchange gains - net (except those attributable to Cash and Cash Equivalents)	-
Add: Effect of changes in accounting for employee benefits (PAS 19)	-
Effect of changes in accounting for financial instruments (PFRS 9)	7,577
Less: Adjustments directly made to retained earnings:	
Treasury Shares	521,132
Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning	**26,154,483**
Net Income based on the face of audited financial statements	9,202,692
Less: Unrealized income, net of tax	
Unrealized foreign exchange gains - net (except those attributable to Cash and Cash Equivalents)	-
Net Income Realized	**9,202,692**
Less: Adjustments directly made to retained earnings:	
Cash dividends paid	7,211,254
Appropriations of Retained Earnings during the period	2,578,000
Treasury Shares purchased	44,114
Retained Earnings available for Dividend, as of year-end	**25,523,807**

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE OF RELEVANT FINANCIAL RATIOS

	FORMULA	AS RESTATED IN 2018 DEC 2017	DEC 2018
LIQUIDITY RATIOS			
Current ratio	Current assets / Current liabilities	1.61	**1.76**
Acid test ratio	Cash + Marketable Securities + Accounts Receivable + Other Liquid Assets / Current liabilities	1.25	**1.27**
SOLVENCY RATIOS			
Debt to equity ratio	Total liabilities / Total equity	1.56	**1.55**
Asset to equity ratio	Total assets / Total equity	2.56	**2.55**
Net debt to equity ratio	Debt - cash & cash equivalents / Total equity	1.01	**1.02**
Gearing ratio	Debt - cash & cash equivalents / Total equity + (Debt - cash & cash equivalents)	50.29%	**50.42%**
Interest coverage ratio	EBIT / Net interest expense	4.13	**3.86**
PROFITABILITY RATIOS			
Operating Margin	Operating Profit / Total revenues	24.32%	**20.9%**
Return on Equity	Net income after tax / Total equity (adjusted for cash dividend)	16.01%	**14.86%**

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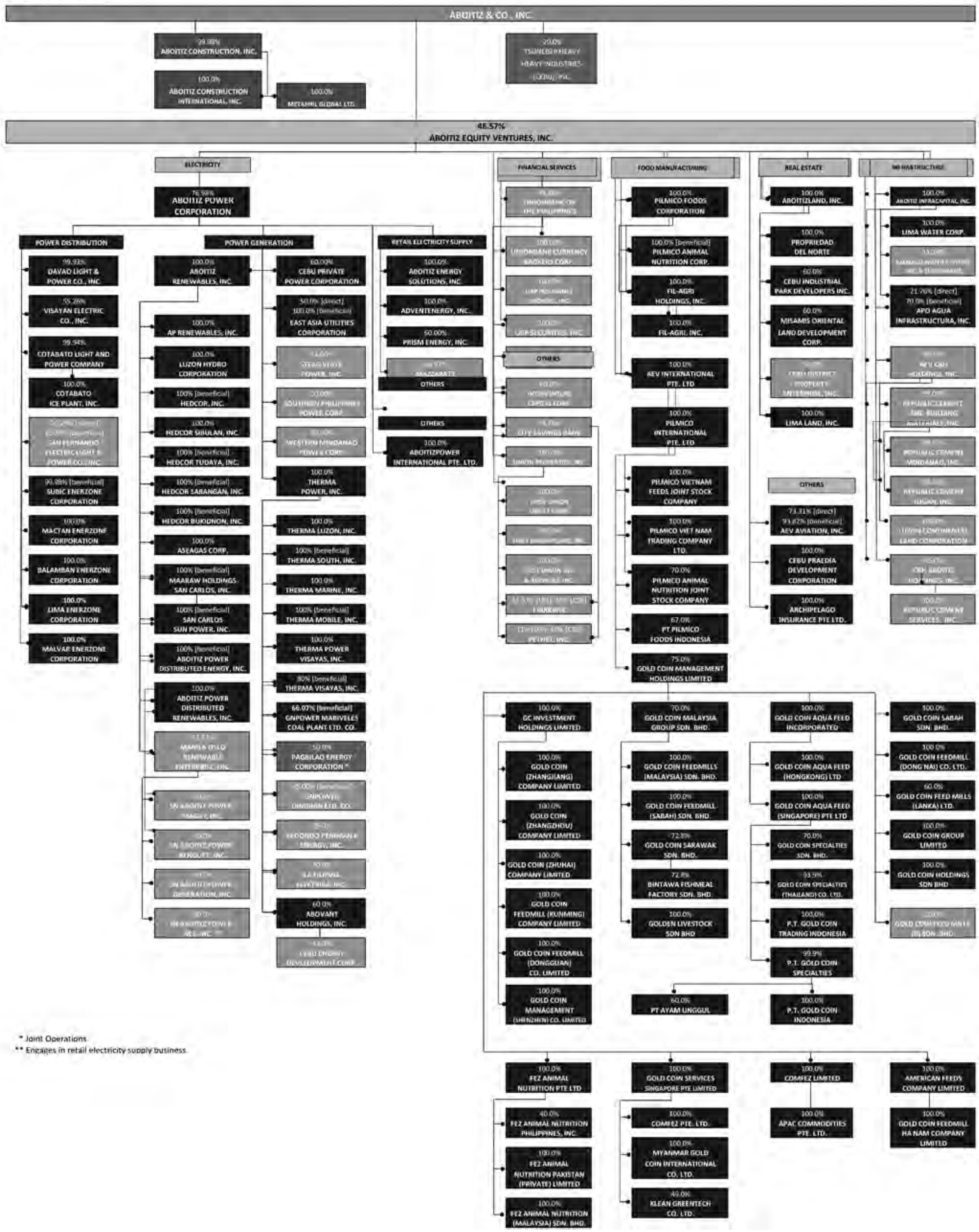
ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES
CONGLOMERATE MAPPING
As of December 31, 2018

Legend:
- Parent Company
- Reporting Company
- Co-Subsidiary
- Subsidiary
- Associate or Joint Venture
- Other Related Parties



* Joint Operations
** Engages in retail electricity supply business

Aboitiz Equity Ventures, Inc. and Subsidiaries

Schedule of Philippine Financial Reporting Standards and Interpretations
Effective as of December 31, 2018

Standards and Interpretations		Remarks
Philippine Financial Reporting Standards (PFRS)		
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	Adopted
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	Not Applicable
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters	Not Applicable
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters	Not Applicable
	Amendments to PFRS 1: Government Loans	Not Applicable
PFRS 2	Share-based Payment	Not Applicable
	Amendments to PFRS 2: Vesting Conditions and Cancellations	Not Applicable
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	Not Applicable
	Amendments to PFRS 2: Definition of Vesting Condition	Not Applicable
PFRS 3 (Revised)	Business Combinations	Adopted
	Amendments to PFRS 3: Accounting for Contingent Consideration in a Business Combination	Adopted
	Amendments to PFRS 3: Scope Exceptions for Joint Ventures	Adopted
PFRS 4	Insurance Contracts	Adopted
	Amendments to PFRS 4: Financial Guarantee Contracts	Adopted
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	Adopted
	Amendment to PFRS 5: Changes in Methods of Disposal	Adopted
PFRS 6	Exploration for and Evaluation of Mineral Resources	Not Applicable
PFRS 7	Financial Instruments: Disclosures	Adopted
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	Adopted
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	Adopted
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	Adopted
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	Adopted
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	Adopted
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	Adopted
	Amendments to PFRS 7: Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in PFRS 9	Adopted
	Amendments to PFRS 7: Servicing Contracts	Adopted
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements	Adopted
PFRS 8	Operating Segments	Adopted
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	Adopted
PFRS 9	Financial Instruments: Classification and Measurement of Financial Assets	Adopted
	Financial Instruments: Classification and Measurement of Financial Liabilities	Adopted
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	Adopted
	PFRS 9, Financial Instruments (Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39)	Adopted
	PFRS 9, Financial Instruments (2014)	Adopted
	Amendments to PFRS 9: Prepayment Features with Negative Compensation	See footnote[1]
PFRS 10	Consolidated Financial Statements	Adopted
	Amendments to PFRS 10: Transition Guidance	Adopted
	Amendments to PFRS 10: Investment Entities	Adopted

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Schedule of Philippine Financial Reporting Standards and Interpretations
Effective as of December 31, 2018

Standards and Interpretations		Remarks
	Amendments to PFRS 10: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	Effective date deferred
	Amendments to PFRS 10: Investment Entities: Applying the Consolidation Exception	Not Applicable
PFRS 11	Joint Arrangements	Adopted
	Amendments to PFRS 11: Transition Guidance	Adopted
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations	Adopted
PFRS 12	Disclosure of Interests in Other Entities	Adopted
	Amendments to PFRS 12: Transition Guidance	Adopted
	Amendments to PFRS 12: Investment Entities	Adopted
	Amendment to PFRS 12, Clarification of the Scope of the Standard	Adopted
PFRS 13	Fair Value Measurement	Adopted
	Amendments to PFRS 13: Short-term Receivables and Payables	Adopted
	Amendments to PFRS 13: Portfolio Exception	Adopted
PFRS 14	Regulatory Deferral Accounts	Not Applicable
PFRS 15	Revenue from Contracts with Customers	Adopted
PFRS 16	Leases	See footnote[1]

Philippine Accounting Standards (PAS)

PAS 1 (Revised)	Presentation of Financial Statements	Adopted
	Amendment to PAS 1: Capital Disclosures	Adopted
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	Adopted
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	Adopted
	Amendment to PAS 1: Disclosure Initiative	Adopted
PAS 2	Inventories	Adopted
PAS 7	Statement of Cash Flows	Adopted
	Amendment to PAS 7: Disclosure Initiative	Adopted
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	Adopted
PAS 10	Events after the Reporting Period	Adopted
PAS 11	Construction Contracts	Adopted
PAS 12	Income Taxes	Adopted
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	Adopted
	Amendments to PAS 12, Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses	Adopted
PAS 16	Property, Plant and Equipment	Adopted
	Amendments to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Amortization	Adopted
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization	Adopted
	Amendments to PAS 16: Bearer Plants	Not Applicable
PAS 17	Leases	Adopted
PAS 18	Revenue	Adopted
PAS 19 (Amended)	Employee Benefits	Adopted
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions	Adopted
	Amendment to PAS 19: Discount Rate: Regional Market Issue	Adopted
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance	Not Applicable
PAS 21	The Effects of Changes in Foreign Exchange Rates	Adopted
	Amendment: Net Investment in a Foreign Operation	Adopted
PAS 23 (Revised)	Borrowing Costs	Adopted

Schedule of Philippine Financial Reporting Standards and Interpretations
Effective as of December 31, 2018

Standards and Interpretations		Remarks
PAS 24 (Revised)	Related Party Disclosures	Adopted
	Amendments to PAS 24: Key Management Personnel Services	Adopted
PAS 26	Accounting and Reporting by Retirement Benefit Plans	Adopted
PAS 27 (Amended)	Separate Financial Statements	Adopted
	Amendments to PAS 27 (Amended): Investment Entities	Adopted
	Amendments to PAS 27: Equity Method in Separate Financial Statements	Adopted
PAS 28 (Amended)	Investments in Associates and Joint Ventures	Adopted
	Amendments to PAS 28, Investment Entities: Applying the Consolidation Exception	Adopted
	Amendments to PAS 28: Measuring an Associate or Joint Venture at Fair Value	Adopted
	Amendments to PAS 28: Long-term interests in Associates and Joint Ventures	See footnote[1]
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	Effective date deferred
PAS 29	Financial Reporting in Hyperinflationary Economies	Not Applicable
PAS 32	Financial Instruments: Disclosure and Presentation	Adopted
	Financial Instruments: Presentation	Adopted
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	Adopted
	Amendment to PAS 32: Classification of Rights Issues	Adopted
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	Adopted
PAS 33	Earnings per Share	Adopted
PAS 34	Interim Financial Reporting	Adopted
	Amendment to PAS 34: Disclosure of Information 'Elsewhere in the Interim Financial Report'	Adopted
PAS 36	Impairment of Assets	Adopted
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-financial Assets	Adopted
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	Adopted
PAS 38	Intangible Assets	Adopted
	Amendments to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization	Adopted
	Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	Adopted
PAS 39	Financial Instruments: Recognition and Measurement	Adopted
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	Adopted
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	Adopted
	Amendments to PAS 39: The Fair Value Option	Adopted
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	Adopted
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	Adopted
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	Adopted
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives	Adopted
	Amendment to PAS 39: Eligible Hedged Items	Adopted
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting	Adopted
PAS 40	Investment Property	Adopted
	Amendments to PAS 40: Clarifying the Interrelationship Between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-occupied Property	Adopted

Schedule of Philippine Financial Reporting Standards and Interpretations
Effective as of December 31, 2018

Standards and Interpretations		Remarks
PAS 24 (Revised)	Related Party Disclosures	Adopted
	Amendments to PAS 24: Key Management Personnel Services	Adopted
PAS 26	Accounting and Reporting by Retirement Benefit Plans	Adopted
PAS 27 (Amended)	Separate Financial Statements	Adopted
	Amendments to PAS 27 (Amended): Investment Entities	Adopted
	Amendments to PAS 27: Equity Method in Separate Financial Statements	Adopted
PAS 28 (Amended)	Investments in Associates and Joint Ventures	Adopted
	Amendments to PAS 28, Investment Entities: Applying the Consolidation Exception	Adopted
	Amendments to PAS 28: Measuring an Associate or Joint Venture at Fair Value	Adopted
	Amendments to PAS 28: Long-term interests in Associates and Joint Ventures	See footnote[1]
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	Effective date deferred
PAS 29	Financial Reporting in Hyperinflationary Economies	Not Applicable
PAS 32	Financial Instruments: Disclosure and Presentation	Adopted
	Financial Instruments: Presentation	Adopted
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	Adopted
	Amendment to PAS 32: Classification of Rights Issues	Adopted
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	Adopted
PAS 33	Earnings per Share	Adopted
PAS 34	Interim Financial Reporting	Adopted
	Amendment to PAS 34: Disclosure of Information 'Elsewhere in the Interim Financial Report'	Adopted
PAS 36	Impairment of Assets	Adopted
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-financial Assets	Adopted
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	Adopted
PAS 38	Intangible Assets	Adopted
	Amendments to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization	Adopted
	Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	Adopted
PAS 39	Financial Instruments: Recognition and Measurement	Adopted
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	Adopted
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	Adopted
	Amendments to PAS 39: The Fair Value Option	Adopted
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	Adopted
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	Adopted
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	Adopted
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives	Adopted
	Amendment to PAS 39: Eligible Hedged Items	Adopted
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting	Adopted
PAS 40	Investment Property	Adopted
	Amendments to PAS 40: Clarifying the Interrelationship Between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-occupied Property	Adopted

Aboitiz Equity Ventures, Inc. and Subsidiaries

Schedule of Philippine Financial Reporting Standards and Interpretations
Effective as of December 31, 2018

Standards and Interpretations		Remarks
	Amendments to PAS 40: Investment Property, Transfers of Investment Property	Adopted
PAS 41	Agriculture	Adopted
	Amendments to PAS 41: Bearer Plants	Not Applicable

Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)

IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	Adopted
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments	Not Applicable
IFRIC 4	Determining Whether an Arrangement Contains a Lease	Adopted
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	Not Applicable
IFRIC 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	Not Applicable
IFRIC 7	Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies	Not Applicable
IFRIC 8	Scope of PFRS 2	Not Applicable
IFRIC 9	Reassessment of Embedded Derivatives	Adopted
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives	Adopted
IFRIC 10	Interim Financial Reporting and Impairment	Adopted
IFRIC 11	Scope of PFRS 2	Not Applicable
IFRIC 12	Service Concession Arrangements	Adopted
IFRIC 13	Customer Loyalty Programmes	Adopted
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	Adopted
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement	Adopted
IFRIC 15	Agreements for the Construction of Real Estate	Effective date deferred
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	Not Applicable
IFRIC 17	Distributions of Non-cash Assets to Owners	Adopted
IFRIC 18	Transfers of Assets from Customers	Adopted
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	Adopted
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	Not Applicable
IFRIC 21	Levies	Adopted
IFRIC 22	Foreign Currency Transactions and Advance Consideration	Adopted
IFRIC 23	Uncertainty over Income Tax Treatments	See footnote[1]

Philippine Interpretations - Standing Interpretations Committee (SIC)

SIC 7	Introduction of the Euro	Not Applicable
SIC 10	Government Assistance - No Specific Relation to Operating Activities	Not Applicable
SIC 12	Consolidation - Special Purpose Entities	Adopted
	Amendment to SIC - 12: Scope of SIC 12	Adopted
SIC 13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers	Adopted
SIC 15	Operating Leases - Incentives	Adopted
SIC 21	Income Taxes - Recovery of Revalued Non-Depreciable Assets	Adopted
SIC 25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders	Adopted
SIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	Adopted
SIC 29	Service Concession Arrangements: Disclosures	Adopted
SIC 31	Revenue - Barter Transactions Involving Advertising Services	Not Applicable
SIC 32	Intangible Assets - Web Site Costs	Adopted

[1] Effective subsequent to December 31, 2018

Investor Information

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Gov. Manuel A. Cuenco Avenue,
Kasambagan, Cebu City 6000 Philippines
Tel (6332) 411-1800 | Fax (6332) 231-4037

Common Stock

The Company's common stock is listed and traded in the Philippine Stock Exchange.

Stockholders' Meeting

The Company's regular stockholders' meeting is held on the fourth Monday of April of every year.

Stockholder Services and Assistance

Stock Transfer Service, Inc. (STSI) serves as the Company's stock transfer agent.

For matters concerning dividend payments, account status, lost or damaged stock certificates, change of address, please write or call:

STOCK TRANSFER SERVICE, INC.
Unit 34-D Rufino Pacific Tower,
6784 Ayala Avenue, Makati City 1226, Philippines
Telephone No.: (632) 403-3798 | (632) 403-2410 | (632) 403-2412
Contact Person:
Mr. Michael C. Capoy - mccapoy@stocktransfer.com.ph

AEV welcomes inquiries from institutional investors, analysts, and the financial community.

Please write or call:

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