aboitiz
Equity Ventures

May 15, 2015

SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA Greenhills,
Mandaluyong City, Metro Manila

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

PHILIPPINE STOCK EXCHANGE, INC.
3rd Floor, Philippine Stock Exchange Plaza
Ayala Triangle, Ayala Avenue, Makati City

ATTENTION : **MS. JANET ENCARNACION**
Head, Disclosure Department

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

ATTENTION : **MS. VINA VANESSA S. SALONGA**
Head - Issuer Compliance and Disclosures Department

Gentlemen:

We submit for your files the SEC Form 17-Q (First Quarterly Report) of Aboitiz Equity Ventures, Inc.

Kindly acknowledge receipt hereof.

Thank you.

Very truly yours,

ABOITIZ EQUITY VENTURES, INC.
By

M. JASMINE S. OPORTO
Corporate Secretary

COVER SHEET

CEO2536
S.E.C. Registration Number

ABOITIZ EQUITY VENTURES, INC.
(Company's Full Name)

32ND STREET, BONIFACIO GLOBAL
CITY, TAGUIG CITY, METRO MANILA
PHILIPPINES
(Business Address: No. Street City / Town / Province)

M. JASMINE S. OPORTO
Contact Person

02- 886-2800
Company Telephone Number

12 31
Month *Day*
Fiscal Year

Quarterly Report
17-Q
FORM TYPE

3rd Monday of May
05 18
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

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **March 31, 2015**

2. Commission identification number **CE02536** 3. BIR Tax Identification No. **003-828-269-V**

4. Exact name of issuer as specified in its charter **ABOITIZ EQUITY VENTURES, INC.**

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

6. Industry Classification Code: [ ] (SEC Use Only)

7. Address of issuer's principal office Postal Code

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

8. Issuer's telephone number, including area code

(02) 886-2800

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

N.A.

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

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding (as of March 31, 2015)
Common stock, P1.00 par value	**5,543,666,807**
Total debt	**₱118,922,634,000.00**

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

Yes [x] No [ ]

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

Philippine Stock Exchange **Common**

12. Indicate by check mark whether the registrant:

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

Yes [**x**] No [ ]

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

Yes [**x**] No [ ]

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

Please refer to the financial statements and schedules attached herewith.

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

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

TOP FIVE KEY PERFORMANCE INDICATORS

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

1. EQUITY IN NET EARNINGS OF INVESTEES

Equity in net earnings (losses) of investees represents the group's share in the undistributed earnings or losses of its associates for each reporting period subsequent to acquisition of said investment, net of goodwill impairment cost, if any. Goodwill is the difference between the purchase price of an investment and the investor's share in the value of the net identifiable assets of investee at the date of acquisition. Equity in net earnings (losses) of investees indicates profitability of the investments and investees' contribution to the group's consolidated net income.

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

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

The Company computes EBITDA as earnings before extra-ordinary items, net finance expense, income tax provision, depreciation and amortization. It provides management and investors with a tool for determining the ability of the group to generate cash from operations to cover

financial charges and income taxes. It is also a measure to evaluate the group's ability to service its debts and to finance its capital expenditure and working capital requirements.

3. CASH FLOW GENERATED

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

4. CURRENT RATIO

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

5. DEBT-TO-EQUITY RATIO

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

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

	JAN-MAR 2015	**JAN-MAR 2014**
EQUITY IN NET EARNINGS OF INVESTEES	**1,109,317**	1,524,386
EBITDA	**9,407,687**	9,637,454
CASH FLOW GENERATED:		
Net cash flows from operating activities	**11,588,341**	7,436,553
Net cash flows used in investing activities	**(4,632,118)**	(3,598,911)
Net cash flows used in financing activities	**(1,616,451)**	(574,908)
Net Increase in Cash & Cash Equivalents	**5,339,772**	3,262,733
Cash & Cash Equivalents, Beginning	**50,481,566**	36,118,190
Cash & Cash Equivalents, End	**55,819,367**	39,396,296
	MAR 31, 2015	**DEC. 31, 2014**
CURRENT RATIO	**2.20**	2.76
DEBT-TO-EQUITY RATIO	**1.16**	1.08

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

Management teams of the different businesses continued to effectively handle their respective operations and financial requirements. As a result, profitability had been sustained and financial position remained strong and liquid.

Associates continued to generate substantial earnings and enhance the consolidated bottomline, despite the 27% decline in their income contribution to the Group. Consolidated EBITDA, which decreased by 2%, translated into additional cash inflows coming from subsidiaries' operations and from dividend payments of associates. The internally-generated funds were then used to finance capital expenditures and settle maturing financial obligations.

With higher total liabilities and reduced equity at the end of March 2015, debt-to-equity ratio edged up to 1.16x (versus end-2014's 1.08x). Meanwhile, current ratio stood at 2.20x (versus end-2014's 2.76x) as increase in current liabilities outpaced the increase in current assets.

REVIEW OF JAN-MAR 2015 OPERATIONS VERSUS JAN-MAR 2014

RESULTS OF OPERATIONS

For the period ended March 2015, AEV and its subsidiaries posted a consolidated net income of ₱4.09 billion (bn), a 16% YoY decrease. This translates to an earnings per share of ₱0.74 for the period in review. In terms of income contribution, power group still accounted for the bulk at 79%, followed by the food, banking and real estate groups at 10%, 9% and 2%, respectively.

The Group generated a non-recurring net gain of ₱8.5 million (mn) (versus ₱471 mn in 2014) mainly from foreign exchange gain on the revaluation of dollar-denominated loans and placements. Stripping out this one-off item, the Group's core net income for the current period amounted to ₱4.08 bn, down 7% YoY.

BUSINESS SEGMENTS

The individual performance of the major business segments is discussed as follows:

Power

Aboitiz Power Corporation (AP or AboitizPower) ended the period with an income contribution of ₱3.34 bn, a 4% increase from last year's ₱3.21 bn.

While power generation group's bottomline contribution to AEV was flat at ₱2.75 bn, its recurring earnings contribution dipped from ₱2.96 bn to ₱2.74 bn. This was substantially attributed to the following: a.) lower sales registered by the Tiwi-Makban plants due to a decline in steam flow during the current period; and b.) decrease in equity earnings from SN Aboitiz Power-Benguet, Inc. (SN AboitizPower-Benguet or SNAP-Benguet) owing to the implementation in February 2014 of Binga plant's new contract for ancillary services, which resulted in lower average selling prices. The expiration of the SN Aboitiz Power-Magat, Inc.'s (SN AboitizPower-Magat or SNAP-Magat) income tax holiday in July 2014 also negatively affected its earnings contribution to the group.

AP's attributable net generation for the period in review grew by 5% YoY, from 2,688 gigawatthours (GWh) to 2,828 GWh, due to the 12% 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 87% of total power sold during the current period, and as a consequence, spot sales decreased by 24% YoY to 380 GWh. On the other hand, attributable sales on a capacity basis slightly increased to 1,804 MW from 1,798 MW last year as the drop in Tiwi-Makban's sales was more than countered by the additional capacity that the group sold from Therma Mobile, Inc.

Meanwhile, AP's distribution group's earnings contribution to AEV grew by 31% from ₱475 mn to ₱624 mn. Driven by the growth in sales across all customer segments, attributable electricity sales rose by 11% to 1,111 GWh, from 1,000 GWh in the same period last year. The fresh revenue contribution of Lima Enerzone Corporation (Lima Enerzone or LEZ), the subsidiary that AP acquired from Aboitiz Land, Inc. (AboitizLand) in June 2014, also boosted the group's bottomline.

Banking

Union Bank of the Philippines' (UnionBank or UBP) income contribution fell 48%, from ₱731 mn to ₱382 mn. This was mainly due to the 37% drop in total other income to ₱1.1 bn owing to the trading losses incurred during the current period, vis-a-vis the trading gains generated in the same quarter last year. Meanwhile, net interest income was flat at ₱2.5 bn as the higher average costs of interest-bearing liabilities offset the marginal growth in interest income.

Food

Income contribution from Pilmico Foods Corporation (PFC or Pilmico) and its subsidiaries amounted to ₱416 mn, up 23% YoY, mainly attributed to the strong performance of Feeds Philippines and the fresh earnings contribution of Feeds Vietnam, the business that was acquired in the third quarter of 2014. The improvement in NIAT of the Feeds business more than made up for the decline in Farms and Flour's bottomline. Both businesses posted weak performance due to higher cost of imported raw materials for Flour, and lower selling price and sales volume for Farms resulting from oversupply of hogs.

Real Estate

Income contribution of AboitizLand amounted to ₱80 mn, 34% lower than ₱121 mn for the same period last year. The decrease was mainly due to the following: a.) loss of the income contribution from Lima Utilities Corporation (now called Lima Enerzone or LEZ) in the current quarter as said investment was sold to AP in June last year; and b.) increase in operating expenses on account of higher manpower costs, in line with the ongoing organizational expansion in preparation for the upcoming projects to be launched.

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

For the period ended March 31, 2015, consolidated net income allocable to the equity holders of AEV registered a 16% decline, reaching P4.08 bn from ₱4.87 bn posted in the previous year.

Operating profit for the current period amounted to ₱6.86 bn, a 6% increase YoY, as the ₱1.29 bn increase in revenues surpassed the ₱904 mn rise in costs and expenses. This increase was mainly attributed to the performance of power and food groups.

Power subsidiaries reported a 6% YoY growth in operating profit from ₱5.86 bn to ₱6.19 bn mainly due to the rise in MWh sold by the distribution utilities. Food Group also showed a 16%

improvement in operating profit (₱681 mn vs ₱587 mn) resulting from stronger Feeds margins which more than offset the decline in margins contribution of Flour and Farms.

Share in net earnings of associates dropped by 27% YoY (₱1.11 bn vs ₱1.52 bn in the First Quarter (Q1) of 2014) mainly due to the decline in net income of UBP and SNAP-Benguet. This was attributed to UBP's recognition of trading losses which was in contrast with last year's trading gains, and SNAP-Benguet's recording of lower ancillary revenue.

The drop in equity earnings and other income, coupled with the increase in income tax provision, more than offset the increase in operating profit, and as a result, pulled down the Group's overall profitability. Meanwhile, the ₱150 mn increase in interest income earned on higher cash held during the current period more than offset the ₱38 mn rise in interest expense resulting from higher level of debt.

Other income declined by 64% YoY (₱305 mn vs ₱853 mn in Q1 of 2014) mainly due to gains amounting to ₱634 mn generated from the sale of ABOJEB and CICTI in the first quarter 2014 versus nil in the current period. Said decrease was countered by the improvement in foreign exchange (FX) differential (₱19 mn gain vs ₱252 mn loss in Q1 of 2014), resulting from the restatement of the dollar-denominated debt and placements of the power group.

Net income attributable to non-controlling interests inched up to ₱1.29 bn, from ₱1.23 bn in Q1 of 2014, substantially due to the increase in AP's net income, 23% of which belongs to minority shareholders.

AEV's consolidated comprehensive income attributable to equity holders correspondingly decreased by 14%, from ₱5.32 bn in Q1 of 2014 to ₱4.59 bn in Q1 of 2015. The 16% decrease in consolidated net income, partly offset by the combined 19% increase in AEV's share of the fair valuation differential and cumulative translation adjustments of associates, accounted for this decline.

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

Assets

Compared to year-end 2014 level, consolidated assets increased 3% to ₱290 bn as of March 31, 2015, due to the following:

a. Cash & Cash Equivalents increased by 11% (₱55.82 bn vs ₱50.48 bn as of December 31, 2014) mainly due to unspent internally-generated funds.

b. Investments in and Advances to Associates increased by ₱1.60 bn (₱53.86 bn vs ₱52.27 bn as of December 31, 2014) mainly due to the recording of ₱1.11 bn share in earnings of associates and ₱523 mn share of a banking associate's fair valuation gain on its AFS investments during the current period. This increase was partially reduced by the ₱36 mn cash dividends received from associates during the period.

c. Gross of depreciation expense, the resulting ₱4.39 bn combined growth in Property, Plant and Equipment, Investment Properties, and Land and Improvements was mainly due to the following: 1.) ₱2.65 bn on-going construction of AP's power plants, Aseagas Corporation's (Aseagas) biomass plant and Food Group's swine farms and plant facilities; 2.) P406 million acquisition of AP distribution assets; 3.) ₱655 mn purchase of a piece of property by Cebu Praedia Development Corporation; and 4.) ₱635 mn purchase of additional land for future development by the real estate group.

d. Other Current Assets increased by 14% (₱4.60 mn vs ₱4.04 bn in March 2014) substantially due to Power Group's increase in prepaid insurance and build-up of input VAT arising from the ongoing plant construction.

The above increases were tempered by the following decreases:

a. Trade and other receivables (Current and non-current) decreased by 12% (₱14.86 bn vs ₱16.93 bn as of December 31, 2014) mainly due to lower levels of power and food subsidiaries' trade receivables resulting from higher collection.

b. Derivative Assets (current and non-current) decreased by 21% (₱89 mn vs ₱113 mn as of December 31, 2014) mainly due to unrealized mark-to-market losses recognized on outstanding hedging instruments during the current period.

c. Pension Asset decreased by 5% (₱127 mn vs ₱134 mn in December 2014) due to accrual of defined benefit expense during the current period.

Liabilities

Consolidated short-term bank loans decreased by 6% (₱6.90 bn vs ₱7.34 billion in December 2014) while long-term liabilities increased by 1% (₱112.29 bn vs ₱111.44 bn as of December 31, 2014). The decrease in short-term loans was mainly due to settlement by the Food Group using internally generated funds. The ₱846 mn net increase in long-term debt was substantially due to the ₱1.41 bn combined additional loan availment by Therma South, Inc., Food Group and Aseagas to finance ongoing plant construction, reduced by the payment of maturing finance lease and loan amortizations.

Trade and other payables, inclusive of noncurrent portion, were higher by 14%, from ₱15.98 bn to ₱18.26 bn mainly due to the increase in payables to suppliers of certain power subsidiaries resulting from ongoing plant construction and fuel purchases.

Income tax payable increased by 121%, from ₱695 mion to ₱1.54 bn due to recording of additional income tax liability of the power group for the current period.

Dividends payable increased by ₱6.15 bn, from nil at the beginning of the year, due to accrual of the cash dividend declared by the Company on March 10, 2015.

Derivative liabilities increased to ₱10 mn from nil in Q1 of 2014 due to unrealized mark-to-market losses recognized on outstanding hedging instruments during the current period.

Pension liability decreased by 5%, from ₱550 mn to ₱523 mn, mainly on account of retirement contributions made by certain subsidiaries during the current year.

Equity

Equity attributable to equity holders of the parent decreased by 1% from year-end 2014 level of ₱107.94 bn to ₱106.67 bn, mainly due to the ₱2.07 bn decrease in Retained Earnings resulting from the ₱4.09 bn net income recorded during the period, reduced by the ₱6.15 bn cash dividends declared. This was partially countered by the ₱275 mn sale of treasury shares and ₱523 mn decrease in share of UBP's unrealized mark-to-market loss on its AFS investments.

MATERIAL CHANGES IN LIQUIDITY AND CASH RESERVES OF REGISTRANT

For the period ended March 2015, the Group continued to support its liquidity mainly from cash generated from operations, additional loans availed and dividends received from associates.

Compared to the cash inflow in 2014, consolidated cash generated from operating activities in Q1 of 2015 increased by ₱4.15 bn to ₱11.59 bn, mainly due to the growth in earnings before interest, depreciation and amortization (EBIDA) and trade payables during the current period despite higher income taxes paid.

The current period ended up with ₱4.63 bn net cash used in investing activities versus ₱3.60 bn last year. This was mainly due to lower cash dividends received from associates. On disposal of investments, additional cash was generated from the sale of ABOJEB and CICTI last year, vis-a-vis nil during the period in review.

Net cash used in financing activities was at ₱1.62 bn, versus ₱575 mn in Q1 of 2014. This was attributed to the higher net debt payment of the Group for the current period versus a net debt availment position during the same period last year.

For the period in review, net cash inflows surpassed cash outflows, resulting in an 11% increase in cash and cash equivalents, from ₱50.48 bn as of year-end 2014 to ₱55.82 bn as of March 31, 2015.

FINANCIAL RATIOS

Backed by strong operating cash inflows, liquidity was adequately preserved. Current ratio stood at 2.20x from 2.76x at the start of the year, since current liabilities grew stronger than current assets. Debt-to-equity ratio climbed slightly to 1.16:1 (versus year-end 2014's 1.08:1). This was mainly due to the growth in total liabilities coupled with the decrease in equity.

OUTLOOK FOR THE UPCOMING YEAR/KNOWN TRENDS, EVENTS, UNCERTAINTIES WHICH MAY HAVE MATERIAL IMPACT ON REGISTRANT

The Philippines' strong GDP growth, the roll-out of the government's Public-Private Partnership Program, as well as the robustness and liquidity of the country's financial system, provides AEV and its business units opportunities to sustain growth over the long-term. To complement the business units' various initiatives, AEV also formed the AEV Business Development Team, whose key objectives are to scan the market for opportunities, and if deemed acceptable from both a risk and return basis, develop and execute the project.

New Core Business

AEV has identified infrastructure as its fifth leg of core businesses. AEV foresees huge public and private investments in the sector over the next 10-15 years and intends to play an active role in the many opportunities in this space. Infrastructure meets the Company's growth criteria by being scalable, diversifying income streams, tapping on existing core competencies and providing AEV with strong recurring profits and cash flow. AEV is supportive of the government's PPP program, however the Company also intends to explore selective acquisition opportunities and greenfield project developments.

New Business Development

AEV seeks to capture opportunities in sectors in which it believes it could further leverage on its core competencies, are scalable, and with strong recurring profits and cash flow. To this end, the Company formed a Business Development Team in late 2011 to evaluate new business opportunities that don't fall squarely into the Company's traditional core business areas of power, banking, and food. Earlier, AEV disclosed a couple of initiatives which it hopes will serve as new avenues of growth in the years to come.

1. Production of Liquid Biomethane

In June 2012, AEV partnered with British company GazAsia Ltd. to build a plant that produces liquid bio-methane fuel from organic waste.

Aseagas, the company that will undertake this project, will employ existing and proven technology to produce renewable energy. Aseagas is already registered with the Department of Energy (DOE) and Board of Investments (BOI), and can now fully avail of the incentives under the Renewable Energy (RE) Law.

AEV's wholly-owned subsidiary Aseagas will invest $50 mn for an initial plant with capacity of around 9,000 metric tons of bio-methane per year. A notes facility of ₱2 bn has already been closed to fund the project. The construction commenced last March 18, 2014 and expected to be completed in December 2015. Should the pilot project be successful, then operations could be easily scaled up.

2. Davao Bulk Water Supply Project

AEV and J.V. Angeles Construction Corp. (JVACC) established Apo Agua Infrastructura, Inc. (Apo Agua) to develop the Davao City bulk water project. This consortium will construct a hydroelectric powered raw water treatment facility and a conveyance system which will deliver 300 MLD of potable bulk water to Davao City, the third largest city in the Philippines. Apo Agua is a 70-30 joint venture owned by AEV and JVACC, respectively.

Hedcor, Inc., an affiliate of AEV specializing in the design, construction and operations of mini-hydropower plants, will provide the technical and operational expertise for the hydro-electric component of the project. On the other hand, JVACC will bring its 50 years of experience in construction and development of water-related infrastructure to the partnership.

JVACC submitted an unsolicited proposal to the local water agency in early 2013. On June 20, 2014, JVACC informed AEV that it received, on behalf of the Jose V. Angeles Construction Consortium, the Notice of Award (NoA) from the Davao City Water District (DCWD) for the financing, design, construction and operations of the Tamugan Surface Water Developments Project. On March 17, 2015, Apo Agua signed the contractual joint venture agreement and bulk water purchase agreement (BWPA) with DCWD. Project construction is expected to commence in 1-2 years once all the necessary permits are secured.

3. Bidding for the Operation and maintenance of the existing LRT Line 2 (LRT2) system and the Masinag Extension system

AEV submitted the pre-qualification documents on January 27, 2015 to the Department of Transportation and Communication (DOTC) for the bidding of the operation and maintenance of the existing LRT Line 2 (LRT2) system and the Masinag Extension system. AEV is participating in the

bidding through a consortium referred to as the Aboitiz-SMRT Transport Solutions Consortium, in partnership with SMRT International Pte. Ltd.

SMRT International Pte. Ltd is a wholly-owned subsidiary of SMRT Corporation Ltd. (SMRT), a multi-modal transport service provider in Singapore offering rail, bus and taxi services. SMRT is the largest rail operator in Singapore, operating three (3) of the five (5) metro lines and a light rail system.

4. Bidding for the ₱123.8 bn Laguna Lakeshore Project

AEV, through Team Trident consortium, filed the pre-qualification documents with the Department of Public Works and Highways (DPWH) for the bidding to finance, design, construct, operate and maintain the Laguna Lake Expressway-Dike Project under the Public Private Partnership (PPP) Program of the government. Team Trident is a consortium among AEV, Ayala Land, Inc. (ALI), Megaworld Corporation (MEG), SM Prime Holdings, Inc. (SMPH) and the lead member, Trident Infrastructure and Development Corporation (TIDC).

TIDC is a joint venture company among AEV, ALI, MEG and SMPH incorporated for purposes of pre-qualifying for the bidding and evaluating the feasibility of the Project.

5. Bidding for the operations, maintenance and expansion of the Bacolod-Silay, Iloilo, Davao, Laguindingan and New Bohol air gateways

In a disclosure dated April 8, 2015, AEV confirmed that it bought the bidding documents for the auction of the operations, maintenance and expansion of the Bacolod-Silay, Iloilo, Davao, Laguindingan and New Bohol air gateways. AEV is still evaluating the feasibility of the project based on available information. The final decision to participate in the project is subject to Board approval.

Power (Generation Business)

AboitizPower believes that its power generation business is in a very good position to benefit from the opportunities that developments concerning the electricity industry will bring. The company's sound financial condition, coupled with a number of initiatives that the company is undertaking will allow it to create additional generating capacity over the next several years. On the other hand, the expiration of the income tax holiday (ITH) of several of the company's plants over the next few years is expected to have some impact on earnings.

1. Expiration of Income Tax Holiday

Several of the AboitizPower's plants were eligible for an ITH upon their acquisition by the Company. Upon the expiration of the ITH, the respective plants will now be assessed a corporate income tax in accordance with the relevant laws.

<u>SN Aboitiz Power-Benguet, Inc.</u> The Binga Plant obtained an ITH extension from the Board of Investments (BOI) in October 9, 2012. The ITH for Binga will expire on August 11, 2015.

2. Increase in Attributable Generating Capacity

Notwithstanding the challenges over the short-term, AboitizPower has built the necessary foundation to sustain its growth trajectory over the long term. Over the next several years, AboitizPower looks to expanding its portfolio of generation assets by implementing the following projects.

- Greenfield and Brownfield developments (for completion in 2015)

  300-MW CFB Coal-Fired Power Plant in Davao. AboitizPower, through 100%-owned subsidiary TSI, is constructing a 2 x 150 MW CFB coal-fired power plant in Davao, which is the biggest load center on the island of Mindanao. The project broke ground in May 2012. The EPC contract for the power block was awarded to Formosa Heavy Industries (FHI) with FHI supplying the CFB boilers and Fuji as major subcontractor/supplier of the turbine-generators. The EPC contract for the balance of plant equipment and their integration with the power block was awarded to a consortium led by Black & Veatch Corporation. The Mindanao-wide blackout that occurred last April 2015, disrupted the commissioning schedule of Unit 2 of TSI. The property damage will delay the commercial operations of Unit 2 by approximately 10 months or until February 2016. On the other hand, Unit 1 will remain on schedule and should start commercial operation by the end of June 2015.

  14-MW Sabangan Hydro Power Plant Project. This involves the construction and operation of a hydropower plant facility in Mt. Province, in Northern Luzon by first half 2015. This project will be undertaken by a wholly owned subsidiary of AboitizPower, Hedcor Sabangan, Inc. The project, which is the first to be constructed in Mt. Province, will take approximately 24 months to construct and expected to be commissioned in May 2015.

- Greenfield and Brownfield developments (for completion beyond 2015)

  600-MW (net) Coal-Fired Power Plant in Subic. This is a project by Redondo Peninsula Energy, Inc. (RP Energy), a joint venture among Meralco PowerGen Corporation (MPGC), Aboitiz subsidiary Therma Power, Inc. (TPI) and Taiwan Cogeneration International Corporation (TCIC). AboitizPower, through TPI, will have an equity interest of 25% in RP Energy. The project involves the construction and operation of a 2 x 300 MW (net) circulating-fluidized-bed (CFB) coal-fired power plant located within the Subic Bay Freeport Zone. On November 15, 2012, RP Energy was issued an amended Environmental Compliance Certificate (ECC) to cover two high-efficiency 300-MW (net) units with main steam reheat systems. Site preparation is substantially completed. The selected EPC contractor is Hyundai with Foster Wheeler and Toshiba as major subcontractors/suppliers of the CFB boilers and turbine-generators, respectively.

  Hyundai has not yet been notified to proceed with the works because of the filing with the Supreme Court of a petition for a Writ of Kalikasan and environmental protection order by an ad hoc group of individuals and organizations. The petition was remanded to the Court of Appeals for a hearing. The Court of Appeals denied the issuance of Writ of Kalikasan for lack of merit, but nonetheless, nullified RP Energy's Environmental Compliance Certificate and land lease with SBMA on grounds of DENR non-compliance with procedural requirements and SBMA's failure to secure LGU approvals/endorsements, respectively. This decision was the subject of three Petitions for Review on Certiorari to the Supreme Court filed by RP Energy, DENR and SBMA, the resolution of which may reach into 2015. On February 3, 2015, the Supreme Court promulgated its decision denying the petition for Writ of Kalikasan and declaring valid the project's ECC and land lease with SBMA, paving the way for the project to proceed. In view of the Supreme Court's decision, full development and implementation of the project has been resumed with the expected commercial operation of the power plant now planned by late 2018.

  420-MW Pulverized Coal-Fired Expansion Unit 3 in Pagbilao, Quezon. AboitizPower, through wholly owned subsidiary Therma Power, Inc. (TPI), and TeaM (Philippines) Energy

Corporation (TPEC), whose shareholders are Marubeni Corporation (Marubeni) and Tokyo Electric Company (TEPCO), through TPEC Holdings Corporation (TPEC Holdco) have formed Pagbilao Energy Corporation (PEC) to own Unit 3. The terms and conditions of the joint investment were finalized in a definitive shareholders' agreement between the Parties. Unit 3 will be located within the premises of the existing 728-MW Pagbilao Units I and II Coal-Fired Thermal Power Plant in Quezon province.

Marubeni and TEPCO are also shareholders of TeaM Energy Corporation, which owns and operates the Pagbilao Units 1 and 2 under a build-operate-transfer contract with the National Power Corporation (NPC). AboitizPower's wholly owned subsidiary, Therma Luzon, Inc. (TLI), is the Administrator of the Energy Conversion Agreement between TeaM Energy Corporation and NPC under an Independent Power Producer Administration Agreement with the Power Sector Assets and Liabilities Management Corporation (PSALM), which manages the assets and IPP contracts of NPC.

On April 25, 2014, PEC entered into a contract with a contractor consortium comprised of Mitsubishi Hitachi Power Systems Ltd, Daelim Industrial Co, Ltd, DESCO, Inc. and Daelim Philippines, Inc. to provide the engineering, procurement and construction (EPC) services required for the project. Notice to Proceed with the works was issued to the consortium on April 30, 2014. The debt financing for the project closed on May 30, 2014. The plant construction commenced last September 2014 and the target commercial operation is planned for year-end 2017.

<u>340-MW CFB Coal-Fired Project in Toledo City, Cebu.</u> This is a project of Therma Visayas, Inc. (TVI), a partnership between AboitizPower and Vivant. AboitizPower will have an equity interest of 80% in TVI. This project involves the construction of a 2 x 170-MW coal-fired power project located south of Toledo City. The project site was acquired in December 2011. The Environmental Compliance Certificate for the project was issued in May 2013.

Technical specifications, contract drawings, contract conditions, and requests for EPC proposals were issued on July 15, 2013, with a submittal deadline of November 15, 2013, thereafter extended to November 29, 2013. The EPC contract was awarded to Hyundai Engineering Co. Ltd. (HEC) and limited notice to proceed (LNTP) with engineering design and detailed subsurface investigations of the site issued on May 30, 2014. This was followed by the project notice to proceed (NTP) for all EPC activities on March 18, 2015. Turnover of the first unit is targeted for the first half of 2018, with the second following three months thereafter.

<u>68-MW Manolo Fortich Hydropower Plant Project.</u> Hedcor Bukidnon, Inc (Hedcor Bukidnon) plans to start construction of the Manolo Fortich project within the second quarter of 2015 [due to delays in securing permits]. It is composed of the 43 MW Manolo Fortich 1 and 25 MW Manolo Fortich 2. Hedcor Bukidnon has completed the Memorandum of Agreement with the local government units. The project broke ground in April 2015 and the target commercial operation is planned for year-end 2017.

<u>Other Greenfield and Brownfield developments</u>. AboitizPower, together with its subsidiaries and associate company, is engaged in the origination and development of other greenfield and brownfield project opportunities, for example:

- AboitizPower recently partnered with SunEdison to develop photovoltaic solar project opportunities in the Philippines. This is consistent with the Company's focus on environmental sustainability and diversified power generation technologies. The

agreement formalizes SunEdison's intention to jointly explore, develop, construct and operate up to 300 MW of utility-scale solar photovoltaic power generation projects in the Philippines over the next three years.

- SNAP's Greenfield Development Program aims to grow its renewable portfolio by looking at potential small and large hydro projects in the Philippines, primarily within its current host communities in northern Luzon.

  SNAP-Greenfield secured renewable energy service contracts (RESCs) from the Department of Energy (DOE) on December 2, 2013 for its proposed 6-MW Maris South Canal and 1.75-MW Maris North Canal mini-hydropower projects located downstream of the National Irrigation Administration (NIA)-owned and -operated Maris dam and reservoir. The Maris dam and reservoir, which form the tailwater of Magat hydroelectric power plant, is situated at the boundary of Alfonso Lista, Ifugao and Ramon, Isabela. SNAP-Greenfield is currently waiting for DOE approval of the assignment of the RESCs to SNAP-Magat. NIA and SNAP-Magat have signed a Memorandum of Understanding (MOU) for SNAP to develop both projects.

  SNAP-Ifugao has also secured on July 24, 2014 RESCs for its proposed 350-MW hydropower complex project in Ifugao, which is composed of three facilities: the 100-MW Alimit hydropower plant, the 240-MW Alimit pumped storage facility, and the 10-MW Olilicon hydropower plant. Both Maris and Alimit projects are currently in the feasibility study stage.

  SNAP-Magat and the NIA held the ground-breaking ceremony for the optimization of the Maris Reservoir on November 4, 2014. Maris Optimization is a project of NIA with SNAP-Magat as its project partner. It aims to raise the Maris Reservoir by adding a set of stoplogs about three meters high. The project is expected to add some eight million cubic meters of storage, and will also entail refurbishment and improvements to the Maris dam structure for better irrigation water delivery and safety. Work is scheduled to begin in January 2015 and targeted for completion by first quarter of 2016.

- Hedcor continually explores hydropower potentials located in Luzon and Mindanao. Based on current findings, Hedcor sees the potential of building plants with capacities ranging from 20 MW to 80 MW. When the projects pass the evaluation stage and once permits are secured, the two-year construction period for the hydropower plant facilities will commence.

  Additionally, Hedcor Inc.'s FLS Plant is nearing the completion of its expansion from 4.9 MW to 6.1 MW with the installation of new turbines and generators.

- AboitizPower is also exploring new geothermal resources. Currently, pre-development works are ongoing in several areas namely, Negron-Cuadrado located in Central Luzon and Mt. Apo located in Mindanao. Both the Negron-Cuadrado and Mt. Apo geothermal projects have been awarded geothermal renewable energy service contracts (GRESC) by the Department of Energy.

3. Participation in the Government's Privatization Program for its Power Assets

AboitizPower continues to closely evaluate the investment viability of the remaining power generation assets that PSALM intends to auction off.

AboitizPower is also keen on participating in PSALM's public auction for the IPP Administrator contracts, which involves the transfer of the management and control of total energy output of power plants under contract with NPC to the IPP administrators.

Power (Distribution Business)

AboitizPower remains optimistic that it will realize modest growth on its existing distribution utilities. It continually seeks efficiency improvements in its operations to maintain healthy margins.

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 4-year regulatory period is set by reference to projected revenues which are reviewed and approved by the ERC and used by the ERC to determine a distribution utility's efficiency factor. For each year during the regulatory period, a distribution utility's distribution 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 Performance Incentive Scheme 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 the ERC, such as the average duration of power outages, the average time of restoration to customers and the average time to respond to customer calls, with utilities being rewarded or penalized depending on their ability to meet these performance targets.

Cotabato Light's Second Regulatory Period ended on March 31, 2013. A reset process should have been initiated 18 months prior to the start of the Third Regulatory Period covering April 1, 2013 to March 31, 2017. The reset process, however, has been delayed due to the issuance of an Issues Paper on the Implementation of PBR for Distribution Utilities under the RDWR by the ERC in 2013. This paper aims to revisit various matters relating to the reset process. The ERC has solicited comments from industry participants and has held several public consultations in Manila, Cebu and Davao from January to March 2014. In addition, several focus group discussions (attended by representatives from the academe, consumer groups, DUs and NGCP) were held in Manila, Cebu and Cagayan de Oro from April to May 2014. These discussions aimed to focus on particular topics which included valuation of the regulatory asset base, annual revenue requirement building blocks, WACC, among others. ERC has yet to release a final position paper on what would be its future actions on the implementation of PBR.

Similar to Cotabato Light, VECO and Davao Light's Second Regulatory Period also already ended on June 30, 2014. The three DUs are still implementing the distribution, supply and metering charges approved for the last year of the Second Regulatory Period.

For Subic Enerzone Corporation's (SEZ) and San Fernando Electric Light and Power Company's (SFELAPCO) fourth regulatory year covering October 1, 2014 to September 30, 2015, ERC released the Decisions for the rate translation application on April 2015. The new rates shall be implemented

in the aforementioned period or until such time that a reset process allows the DUs to revise its distribution, supply and metering charges.

On June 19, 2014, AboitizPower acquired 100% ownership interest of Lima Enerzone Corporation (formerly: Lima Utilities Corporation) (Lima Enerzone) from Lima Land, a wholly owned subsidiary of Aboitiz Land. Lima Enerzone is the electricity distribution utility serving the LiMA Technology Center located in Batangas. The acquisition is in line with the company's strategy of expanding its EnerZone brand.

Market and Industry Developments

1. Open Access and Retail Competition

Per EPIRA, the conditions for the commencement of the Open Access and Retail Competition in a particular grid are as follows:

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

Under the Open Access and Retail Competition, an eligible contestable customer, which is defined as an end-user with a monthly average peak demand of at least 1 MW for the preceding 12 months, will have the option to source their electricity from eligible suppliers that have secured a Retail Electricity Supplier license (RES) from the ERC.

Commencement of Open Access

In June 2011, ERC declared December 26, 2011 as the Open Access Date to mark the commencement of the full operations of the competitive retail electricity market in Luzon and Visayas. However, after careful deliberation, the ERC acknowledged that not all the necessary rules, systems and infrastructures required for the implementation of the Open Access and Retail Competition have been put in place to meet the contemplated timetable for implementation. In October 2011, the ERC announced the deferment of the Open Access Date. In September 2012, the ERC declared the start of Open Access on December 26, 2012. Open Access commercial operations under an interim development system have been implemented starting June 26, 2013.

The implementation of Open Access starting June 26, 2013 enabled AboitizPower to increase its contracted capacity through the delivery of power to affiliate and non-affiliate RES companies. AboitizPower has two wholly owned subsidiaries (i.e. Aboitiz Energy Solutions, Inc. and Advent Energy, Inc.) that are licensed RES. Open Access allowed Aboitiz Energy Solutions, Inc. and AdventEnergy, Inc. to enter into contracts with the eligible contestable customers. Moreover, Open Access also facilitated AboitizPower to contract with other RES companies. Currently, AboitizPower has signed contracts equivalent to approximately 300 MW through its RES companies.

Based on the current timeline, the threshold level for an eligible contestable customer will decrease to a minimum of 750 kW monthly average peak demand (from the current 1 MW threshold) by June 2015.

The ERC issued Resolution 22 Series of 2013

ERC issued revised licensing regulation for RES companies operating in the Retail Supply Segment last December 19, 2013. Items amended include the following:

- Restriction for Generator, IPPA and DU affiliates in securing license as a RES company;
- Transfer of live Retail Supply Contracts (RSCs) for RES with expired license to another licensed RES;
- Determination of full retail competition to be made by ERC not later than June 25, 2015;
- Contracted capacities of RES affiliates to be included in the grid limitations imposed on Generation Companies;
- End-user affiliate RES limited to supplying up to 50% of its total contestable customer affiliates;
- RES companies are limited to procuring up to 50% of its generation requirements from affiliate Generation Companies;
- Annual submission of 5-year Business Plan; and
- Submission of live Retail Supply Contracts for review by the ERC.

Since Resolution 22 Series of 2013 limits the retail suppliers and creates non-assurance of renewal of RES license for existing retailers, the Retail Electricity Suppliers Association (RESA) challenged its legality at the Pasig RTC. Trial is suspended to give way to amicable settlement of issues between RESA and ERC.

However, ERC has 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.

2. Interim Mindanao Electricity Market (IMEM)

The Department of Energy (DOE) issued Department Circular No. 2013-05-0008 "Promulgating the Interim Mindanao Electricity Market Implementing Rules". Correspondingly, DOE also issued DC No. 2013-09-0020 approving pertinent IMEM Manuals.

The IMEM has the following features:

- Day-ahead pricing and scheduling;
- Zonal pricing
- IMEM is for available resource capacity after taking out bilateral contract quantities
- In-Day Market is for imbalances or deviation from day-ahead schedules only
- Deviations from day-ahead schedule will be subject to penalties and incentives

The IMEM started on December 3, 2013 and the first IMEM billing period ended on December 25, 2013. The first IMEM billing period has not been fully settled and succeeding billing periods were still not billed by PEMC. Last March 2014, PEMC suspended the implementation of IMEM.

3. Price Hike Issue for November and December 2013 Billing Months

Due to the maintenance shutdown of Malampaya Natural Gas Field, the dispatch of Natural Gas-fired power plants were affected which caused the increase in the WESM prices in November and December 2013 Billing Months. The Supreme Court issued a Temporary Restraining Order (TRO) in GR Nos. 210245 and 201255, pegging the generation charge of Meralco to PhP5.6673/kWh. The TRO should have ended last February 2014, but this has been extended indefinitely through a notice

provided by the Supreme Court last April 22. The extended TRO also includes the generators non-collection of the increase in generation charge.

Issuance of ERC Case No. 2014-021MC

ERC issued ERC Case No. 2014-021 MC "In the Matter of the Prices in the Wholesale Electricity Spot Market (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 ongoing Investigation on the Allegation of Anti-Competitive Behavior and Possible Abuse of Market Power Committed by some WESM Participants" on March 3, 2014. The ERC issued an Order to VOID the WESM Prices in Luzon for November and December billing periods and declares the imposition of regulated prices in lieu thereof, in the exercise of its police power.

The ERC Order adjusted prices retroactively. Regulated prices are calculated based on the load weighted average of the ex-post nodal energy prices and meter quantity of the same day same interval that have not been administered from December 26, 2012 to September 25, 2013. The Order includes the availment of oil-based plants of additional compensation to cover their full Fuel and Variable O&M Costs. Several subsidiaries and affiliates of AboitizPower, most notably SNAP Magat, SNAP Benguet, APRI, and TLI, will be affected by the decision as they had exposure to the spot market during the November-December period either as purchasers (as in the case of TLI), or as sellers. Various generators filed their Motions for Reconsideration with the ERC. However, in an Order dated October 15, 2014, the ERC denied these Motions of Reconsideration. After the denial, several generators filed an Appeal to the Court of Appeals.

4. Reserve Market

The DOE issued Department Circular No. DC2013-12-0027, "Declaring the Commercial Launch for the Trading of Ancillary Service in Luzon and Visayas under the Philippine Wholesale Electricity Spot Market" dated December 2, 2013. The said Department Circular sets the responsibility of the Philippine Electricity Market Corporation (PEMC), NGCP, NEA and all WESM Members with regard to the operation of the Reserve Market.

The trial operations started on February 26, 2014, and PEMC is still reviewing its results before certifying for market readiness. The Pricing and Cost Recovery Mechanism of the Reserve Market is still under review by the ERC under ERC Case # 2007-004RC. The last hearing was on March 13, 2014.

The Reserve Market will cover three (3) reserve categories, namely: Frequency Regulation, Contingency Reserve and Dispatchable Reserve. The Reserve Market will also include the scheduling of the ancillary services under ASPA with NGCP. No date has been set for the launch of the Reserve Market.

5. Renewable Energy Act of 2008 (RE Law) implementation

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

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

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

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

In Resolution No. 10, Series of 2012 (as amended by ERC Case No. 2014-004RM), the ERC adopted the following FIT and degression rates for electricity generated from biomass, run-of-river hydropower, solar and wind resources:

	FIT Rate (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 and 8.69*	6% after year 1 from effectivity of FIT
Hydro	5.90	0.5% after year 2 from effectivity of FIT

*new solar FIT rate as per ERC Case No. 2014-004RM, as necessitated by the new installation target for Solar Energy Generation set by the Department of Energy (DOE)

On July 23, 2012, the ERC promulgated ERC Resolution No. 10, Series of 2012, with approved solar FIT rate of PhP9.68/kWh and installation target of 50 MW. After the DOE increased the installation target of solar, a new FIT rate of PhP8.69/kWh was approved by the ERC that shall be valid until March 15, 2016. For the Solar Plants that have been commissioned prior to the effectivity of the ERC Decision the original Solar FIT of PhP 9.68/kWh shall apply.

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

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

The National Renewable Energy Board (NREB) is presently in the process of preparing the Renewable Portfolio Standards which, under the RE Law, shall be a market-based policy requiring electricity suppliers to source an agreed portion of their energy supply from eligible RE resources. It is likewise in the process of drafting rules enabling the net metering program for RE, which shall govern distributed generation and providing for the criteria of eligibility of RE developers to the FIT.

In March 20, 2015, DOE issued DC 2015-03-0001, "Promulgating the Framework for the Implementation of the Must Dispatch and Priority Dispatch of Renewable Energy Resources in the Wholesale Spot Market". In the said Circular, DOE directed PEMC to amend the WESM Rules to allow Must Dispatch of RE plants and Priority Dispatch of Biomass power plants. It also directed NGCP to determine maximum penetration limits of RE plants, among others.

Financial Services

UnionBank's initiatives on strengthening its customer franchise will continue to be at the forefront as it prioritizes customer satisfaction through enhanced retail focus, superior innovation and product customization, and stronger sales management approach. UnionBank will continue to invest in technology, cultivate partnerships and rationalize branch network expansion in strategic areas to maximize growth channels with respect to both deposits and loan accounts.

UnionBank will continue to focus on improving the performance of its earning assets portfolio, with loan asset acquisition in the retail, middle-market and corporate sectors. The bank will implement a disciplined asset allocation built on good governance and effective risk management to ensure momentum of recurring income stream. At the same time, UnionBank is focusing on improving its deposit liabilities mix by targeting low-cost funds (i.e. CASA).

Likewise, UnionBank will continue to enhance operating efficiencies through cost containment efforts and improvements in its business processes and systems to align with international standards and best practices, and increase in manpower productivity with the help of functional and developmental trainings as well as appropriate matching of job, skills and capabilities.

UnionBank will also promote customer advocacy by cultivating employee engagement throughout the organization. The Bank believes that by doing this, UnionBank can optimize employee behavior to drive long-term financial and operational performance and growth. In line with this, the Bank initiated "middle-out" strategic programs, which strive to propel UnionBankers to higher levels of engagement, particularly through the conduct of culture conversations, fostering REaCh Programs and celebrating DNA Stories.

CitySavings, the subsidiary thrift bank of UnionBank, will continue with its unique focus as the preferred Teachers' Bank in the Philippines, particularly expanding its customer franchise in areas outside of its present coverage. It will continuously enhance its products and services to strengthen its market position in its present niche and tap other civil servant market segments.

The combined unique strengths of UnionBank and CitySavings' management team as well as its attainted technological and financial capabilities will catapult both to greater heights towards elevating the lives of its stakeholders and the communities it serves.

Food Manufacturing

Pilmico operates primarily in a demand-driven market. The fast rising private consumption in the coming years will bring in greater demand and drive larger volume production. For these reasons, the company strives to achieve efficiencies through economies of scale and integration. It aims to maintain margins and widen market share through strategic expansion and by continuing to be a low cost producer.

With the ASEAN integration in play, Pilmico expects competition to get stiffer both on the domestic and regional fronts. We expect the bar for innovation and quality to be raised as we compete head-on with regional players.

The company will export its flour products in the ASEAN region, build a Pilmico Research & Training Bakery in Cebu as well as explore the commissary business. These are in line with the company's aim of strengthening its Flour business in its battle for market share against cheaper imported flour. The Farms business will increase its sow level to 14,000 heads by 2017, build additional farms facilities, accelerate capability for its meats business and operate its own layers farms.

In response to the demand of the consumers, the Feeds business will increase its feeds production capacities in Iligan and Tarlac, build a new inter-island pier facility for raw materials and finished goods, and introduce additional feeds products.

Internationally, Pilmico VHF is set to expand the capacity of its aqua feed mill in Vietnam. Pilmico is also setting up representative office in Vietnam, in addition to the existing representative office in Indonesia. Moreover, the company will also actively pursue other opportunities in the region through mergers and acquisition.

Property

Two decades ago, AboitizLand was founded with a straightforward mandate to make quality developments for the enjoyment of every Cebuano. As of 2014, the Company has succeeded in delivering dream homes and business offices to more than 3,000 partners, making it one of Cebu's premier homebuilder. Now, AboitizLand's primary undertaking is to grow the business on a national scale while intensifying its market position in Cebu.

From the early projects to the recent ones, the residential segment of the company has gone many property cycles, and emerged not only bigger but stronger over the years. As we go national, the company looks forward to launch more projects with increased excellence.

The industrial business unit in the other hand carved the first mile stone of expansion when it acquired Lima Land, the developer of Lima Technology Center in Batangas. This acquisition gave AboitizLand a firm foothold in the Luzon industrial real estate market. To further increase the momentum, Lima's 150-hectare expansion is underway to substantially augment the company's revenue and profit levels. With Lima Land, AboitizLand now owns and operates three major industrial zones including Mactan Economic Zone II and West Cebu Industrial Park.

On the commercial side, due to the tremendous success of The Outlets at Pueblo Verde, an expansion to almost double capacity is on its way. Capitalizing on the sustained growth of its projects, AboitizLand unceasingly explores new commercial businesses to complement its existing and future residential, and industrial developments.

With AboitizLand's effort to continue searching for new elements to integrate in its portfolio, the 50-50 JV with Ayala Land Group was formed and took effect in February 2014. Cebu District Property Enterprise was incorporated to develop the 15-hectare Mandaue Cebu property into a city center with residential, commercial, retail and office components.

Looking ahead, despite the challenges in the industry, AboitizLand is geared to achieve its growth objectives, surpass old limits and claim its share of the national market.

PART II--OTHER INFORMATION

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

SIGNATURES

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

Issuer	**ABOITIZ EQUITY VENTURES, INC.**
Principal Accounting Officer	**Melinda R. Bathan**
Signature and Title	**First Vice President – Controller**
Date	MAY 15 2015
Principal Accounting Officer	**M. Jasmine S. Oporto**
Signature and Title	**Senior Vice President – Chief Legal Officer/ Corporate Secretary/Compliance Officer**
Date	MAY 15 2015

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

(Amounts in Thousands)

	March 31, 2015 **Unaudited**	December 31, 2014 Audited
ASSETS		
Current Assets		
Cash and cash equivalents	**₱55,819,367**	₱50,481,566
Trade and other receivables	**14,535,534**	16,639,775
Inventories	**7,860,950**	7,664,499
Derivative assets	**48,935**	53,500
Other current assets	**4,600,392**	4,041,372
Total Current Assets	**82,865,178**	₱78,880,712
Noncurrent Assets		
Trade receivables - net of current portion	**321,666**	292,414
Investments and advances	**53,863,787**	52,267,310
Property, plant and equipment	**128,824,113**	126,203,724
Land and improvements	**2,793,124**	1,970,211
Investment properties	**4,253,779**	4,441,417
Intangible asset - service concession rights	**3,383,160**	3,400,354
Available-for-sale (AFS) investments	**65,701**	64,244
Net pension assets	**127,110**	133,882
Derivative asset - net of current portion	**40,197**	59,044
Deferred income tax assets	**356,931**	350,005
Goodwill	**1,550,106**	1,550,106
Other noncurrent assets	**11,782,308**	11,383,133
Total Noncurrent Assets	**207,361,982**	202,115,844
TOTAL ASSETS	**₱290,227,160**	₱280,996,556

LIABILITIES AND EQUITY		
Current Liabilities		
Bank loans	**₱6,901,208**	₱7,343,700
Current portions of:		
Long-term debts	**3,170,781**	2,907,302
Long-term obligation on Power Distribution System (PDS)	**40,000**	40,000
Obligations under finance lease	**1,971,739**	1,971,739
Trade and other payables	**17,890,745**	15,631,565
Income tax payable	**1,535,155**	694,604
Dividends payable	**6,153,470**	–
Derivative liabilities	**10,277**	–
Total Current Liabilities	**37,673,375**	28,588,910

(Forward)

	March 31, 2015 **Unaudited**	December 31, 2014 Audited
Noncurrent Liabilities		
Noncurrent portions of:		
Obligations under finance lease	**₱51,963,342**	₱52,489,282
Long-term debts	**54,915,564**	53,814,682
Long-term obligation on PDS	**223,807**	216,015
Trade and other payables	**370,827**	345,915
Customers' deposits	**6,016,518**	5,943,305
Asset retirement obligation	**2,378,881**	2,353,250
Deferred income tax liabilities	**1,820,380**	1,760,139
Net pension liability	**523,132**	550,094
Total Noncurrent Liabilities	**118,212,451**	117,472,682
Total Liabilities	**155,885,826**	146,061,592
Equity Attributable to Equity Holders of the Parent		
Capital stock	**5,694,600**	5,694,600
Additional paid-in capital	**7,149,023**	6,911,044
Other equity reserves:		
Gain on dilution	**5,376,176**	5,376,176
Excess of book value over acquisition cost of an acquired subsidiary	**469,540**	469,540
Acquisition of non-controlling interests	**(1,561,513)**	(1,577,075)
Other components of equity:		
Net unrealized mark-to-market gains on AFS investments	**16,083**	14,627
Cumulative translation adjustments	**12,920**	35,533
Actuarial losses on defined benefit plans	**(701,336)**	(708,448)
Share in actuarial losses on defined benefit plans of associates	**(315,562)**	(315,444)
Share in cumulative translation adjustments of associates	**(286,396)**	(277,293)
Share in net unrealized mark-to-market losses on AFS investments of an associate	**(973,064)**	(1,496,305)
Retained earnings	**92,927,940**	94,995,596
Treasury stock at cost	**(1,141,550)**	(1,178,397)
	106,666,861	107,944,154
Non-controlling Interests	**27,674,473**	26,990,810
Total Equity	**134,341,334**	134,934,964
TOTAL LIABILITIES AND EQUITY	**₱290,227,160**	₱280,996,556

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Earnings Per Share Amounts)
(Unaudited)

	For the three months ended March 31	
	2015	2014
OPERATING REVENUES	**₱27,029,143**	₱25,740,375
OPERATING EXPENSES	**20,173,655**	19,270,045
FINANCIAL INCOME (EXPENSES)		
Interest income	**277,469**	127,604
Interest expense	**(1,933,469)**	(1,895,535)
	(1,656,000)	(1,767,931)
OTHER INCOME - NET		
Share in net earnings of associates	**1,109,317**	1,524,386
Other income - net	**304,621**	852,543
	1,413,938	2,376,929
INCOME BEFORE INCOME TAX	**6,613,426**	7,079,328
PROVISION FOR INCOME TAX	**1,232,372**	980,879
NET INCOME	**₱5,381,054**	₱6,098,449
ATTRIBUTABLE TO:		
Equity holders of the parent	**₱4,085,814**	₱4,868,133
Non-controlling interests	**1,295,240**	1,230,316
	₱5,381,054	₱6,098,449
EARNINGS PER COMMON SHARE		
Basic and diluted, for income for the year attributable to ordinary equity holders of the parent	**₱0.737**	₱0.882

See Disclosure H for the computation of Earnings per Common Share.

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

(Unaudited)

	For the three months ended March 31	
	2015	2014
NET INCOME ATTRIBUTABLE TO:		
Equity holders of the parent	**₱4,085,814**	₱4,868,133
Non-controlling interests	**1,295,240**	1,230,316
	5,381,054	6,098,449
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified to consolidated statements of income:		
Share in movement in cumulative translation adjustment of associates	**(9,103)**	75,242
Share in movement in net unrealized mark-to-market gains on AFS investments of an associate	**523,241**	398,380
Movement in cumulative translation adjustments	**(29,425)**	3,189
Movement net unrealized mark-to-market gains on AFS investments	**1,456**	1,599
	486,169	478,410
Items that will not be reclassified to consolidated statements of income:		
Movement in actuarial gains on defined benefit plans, net of tax	**7,112**	45,671
Share in movement in actuarial losses on defined benefit plans of associates, net of tax	**(118)**	(62,330)
	6,994	(16,659)
TOTAL COMPREHENSIVE INCOME	**₱493,163**	₱461,751
ATTRIBUTABLE TO:		
Equity holders of the parent	**₱4,585,789**	₱5,317,377
Non-controlling interests	**1,288,428**	1,242,823
	₱5,874,217	₱6,560,200

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE PERIODS ENDED MARCH 31, 2015, DECEMBER 31, 2014 AND MARCH 31, 2014

(Amounts in Thousands, Except Dividends Per Share Amounts)

(Unaudited)

	Attributable to equity holders of the parent															
	Capital Stock: Common	Additional Paid-in Capital	Gain on Dilution	Excess of Book Value Over Acquisition Cost of an Acquired Subsidiary	Acquisition of Non-controlling Interests	Net Unrealized Mark-to-Market Gains on AFS Investments	Cumulative Translation Adjustment	Actuarial Gains (Losses) on Defined Benefit Plans, net of tax	Share in Actuarial Losses on Defined Benefit Plans of Associates	Share in Cumulative Translation Adjustments of Associates	Share in Net Unrealized Mark to-Market Gains (Losses) on AFS Investments of an Associate	Retained Earnings	Treasury Stock	Total	Non-controlling Interest	Total
Balances at January 1, 2015	₱5,694,600	₱6,911,044	₱5,376,176	₱469,540	(₱1,577,075)	₱14,627	₱35,533	(₱708,448)	(₱315,444)	(₱277,293)	(₱1,496,305)	₱94,995,596	(₱1,178,397)	₱107,944,154	₱26,990,810	₱134,934,964
Net income for the year	–	–	–	–	–	–	–	–	–	–	–	4,085,814	–	4,085,814	1,295,240	5,381,054
Other comprehensive income																
Movement of net unrealized mark-to-market gains on AFS investments	–	–	–	–	–	1,456	–	–	–	–	–	–	–	1,456	–	1,456
Movement in cumulative translation adjustments	–	–	–	–	–	–	(22,613)	–	–	–	–	–	–	(22,613)	(6,812)	(29,425)
Actuarial losses on defined benefit plans, net of tax	–	–	–	–	–	–	–	7,112	–	–	–	–	–	7,112	–	7,112
Share in movement in actuarial losses on defined benefit plan of associates	–	–	–	–	–	–	–	–	(118)	–	–	–	–	(118)	–	(118)
Share in cumulative translation adjustment of associates	–	–	–	–	–	–	–	–	–	(9,103)	–	–	–	(9,103)	–	(9,103)
Share in movement in unrealized mark-to-market gains on AFS investments of an associate	–	–	–	–	–	–	–	–	–	–	523,241	–	–	523,241	–	523,241
Total comprehensive income (loss) for the year	–	–	–	–	–	1,456	(22,613)	7,112	(118)	(9,103)	523,241	4,085,814	–	4,585,789	1,288,428	5,874,217
Excess of acquisition cost over carrying value of non-controlling interests	–	–	–	–	15,562	–	–	–	–	–	–	–	–	15,562	–	15,562
Cash dividends - ₱1.11 per share	–	–	–	–	–	–	–	–	–	–	–	(6,153,470)	–	(6,153,470)	–	(6,153,470)
Cash dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(499,213)	(499,213)
Sale of treasury shares	–	237,979	–	–	–	–	–	–	–	–	–	–	36,847	274,826	–	274,826
Changes in non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(105,552)	(105,552)
Balances at March 31, 2015	₱5,694,600	₱7,149,023	₱5,376,176	₱469,540	(₱1,561,513)	₱16,083	₱12,920	(₱701,336)	(₱315,562)	(₱286,396)	(₱973,064)	₱92,927,940	(₱1,141,550)	₱106,666,861	₱27,674,473	₱134,341,334

	Attributable to equity holders of the parent															
	Capital Stock: Common	Additional Paid-in Capital	Gain on Dilution	Excess of Book Value Over Acquisition Cost of an Acquired Subsidiary	Acquisition of Non-controlling Interests	Net Unrealized Mark-to-Market Gains on AFS Investments	Cumulative Translation Adjustment	Actuarial Gains (Losses) on Defined Benefit Plans, net of tax	Share in Actuarial Losses on Defined Benefit Plans of Associates	Share in Cumulative Translation Adjustments of Associates	Share in Net Unrealized Mark to-Market Gains (Losses) on AFS Investments of an Associate	Retained Earnings	Treasury Stock	Total	Non-controlling Interest	Total
Balances at January 1, 2014	₱5,694,600	₱6,110,957	₱5,376,176	₱469,540	(₱1,262,862)	₱7,881	(₱14,534)	(₱857,602)	(₱156,925)	(₱295,546)	(₱3,403,534)	₱86,554,345	(₱1,295,163)	₱96,927,333	₱25,622,139	₱122,549,472
Net income for the year	–		–	–	–	–	–	–	–	–	–	4,868,133	–	4,868,133	1,230,316	6,098,449
Other comprehensive income																
Movement of net unrealized mark-to-market gains on AFS investments	–	–	–	–	–	6,940	–	–	–	–	–	–	–	6,940	(5,341)	1,599
Movement in cumulative translation adjustments	–	–	–	–	–	–	–	–	–	–	–	–	–	–	3,189	3,189
Actuarial losses on defined benefit plans, net of tax	–	–	–	–	–	–	–	45,671	–	–	–	–	–	45,671	–	45,671
Share in movement in actuarial losses on defined benefit plan of associates	–	–	–	–	–	–	–	–	(62,330)	–	–	–	–	(62,330)	–	(62,330)
Share in cumulative translation adjustment of associates	–	–	–	–	–	–	–	–	–	60,583	–	–	–	60,583	14,659	75,242
Share in movement in unrealized mark-to-market gains on AFS investments of an associate	–	–	–	–	–	–	–	–	–	–	398,380	–	–	398,380	–	398,380
Total comprehensive income (loss) for the year		–	–	–	–	6,940	–	45,671	(62,330)	60,583	398,380	4,868,133	–	5,317,377	1,242,823	6,560,200
Excess of acquisition cost over carrying value of non-controlling interests	–	–	–	–	(374,629)	–	–	–	–	–	–	–	–	(374,629)	5,341	(369,288)
Cash dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(330,667)	(330,667)
Changes in non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(520,391)	(520,391)
Balances at March 31, 2014	₱5,694,600	₱6,110,957	₱5,376,176	₱469,540	(₱1,637,491)	₱14,821	(₱14,534)	(₱811,931)	(₱219,255)	(₱234,963)	(₱3,005,154)	₱91,422,478	(₱1,295,163)	₱101,870,081	₱26,019,245	₱127,889,326

	Attributable to equity holders of the parent															
	Capital Stock: Common	Additional Paid-in Capital	Gain on Dilution	Excess of Book Value Over Acquisition Cost of an Acquired Subsidiary	Acquisition of Non-controlling Interests	Net Unrealized Mark-to-Market Gains on AFS Investments	Cumulative Translation Adjustment	Actuarial Gains (Losses) on Defined Benefit Plans, net of tax	Share in Actuarial Losses on Defined Benefit Plans of Associates	Share in Cumulative Translation Adjustments of Associates	Share in Net Unrealized Mark to-Market Gain (Losses) on AFS Investments of an Associate	Retained Earnings	Treasury Stock	Total	Non-controlling Interest	Total
Balances at January 1, 2014	₱5,694,600	₱6,110,957	₱5,376,176	₱469,540	(₱1,262,862)	₱7,881	(₱14,534)	(₱857,602)	(₱156,925)	(₱295,546)	(₱3,403,534)	₱86,554,345	(₱1,295,163)	₱96,927,333	₱25,622,139	₱122,549,472
Net income for the year	–		–	–	–	–	–	–	–	–	–	18,380,620	–	18,380,620	5,184,246	23,564,866
Other comprehensive income																
Movement of net unrealized mark-to-market gains on AFS investments	–	–	–	–	–	6,746	–	–	–	–	–	–	–	6,746	(5,341)	1,405
Movement in cumulative translation adjustments	–	–	–	–	–	–	50,067	–	–	–	–	–	–	50,067	14,472	64,539
Actuarial losses on defined benefit plans, net of tax	–	–	–	–	–	–	–	149,154	–	–	–	–	–	149,154	–	149,154
Share in movement in actuarial losses on defined benefit plan of associates	–	–	–	–	–	–	–	–	(158,519)	–	–	–	–	(158,519)	(14,074)	(172,593)
Share in cumulative translation adjustment of associates	–	–	–	–	–	–	–	–	–	18,253	–	–	–	18,253	(5,185)	13,068
Share in movement in unrealized mark-to-market gains on AFS investments of an associate	–	–	–	–	–	–	–	–	–	–	1,907,229	–	–	1,907,229	7,143	1,914,372
Total comprehensive income (loss) for the year		–	–	–	–	6,746	50,067	149,154	(158,519)	18,253	1,907,229	18,380,620		20,353,550	5,181,261	25,534,811
Excess of acquisition cost over carrying value of non-controlling interests	–	–	–	–	(314,213)	–	–	–	–	–	–	–	–	(314,213)	–	(314,213)
Cash dividends - ₱1.80 per share	–	–	–	–	–	–	–	–	–	–	–	(9,939,369)	–	(9,939,369)	–	(9,939,369)
Cash dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(3,752,913)	(3,752,913)
Sale of treasury shares	–	800,087		–		–	–	–	–	–	–	–	116,766	916,853	–	916,853
Changes in non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(59,677)	(59,677)
Balances at December 31, 2014	₱5,694,600	₱6,911,044	₱5,376,176	₱469,540	(₱1,577,075)	₱14,627	₱35,533	(₱708,448)	(₱315,444)	(₱277,293)	(₱1,496,305)	₱94,995,596	(₱1,178,397)	₱107,944,154	₱26,990,810	₱134,934,964

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

(Unaudited)

	For the three months ended March 31	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱6,613,426**	₱7,079,328
Adjustments for:		
Interest expense	**1,933,469**	1,895,535
Depreciation and amortization	**1,156,608**	1,171,748
Write-off of project costs and others	**228**	–
Loss (gain) on sale of property, plant and equipment	**190**	(297)
Share in net earnings of associates	**(1,109,317)**	(1,524,386)
Interest income	**(277,469)**	(127,604)
Net unrealized foreign exchange losses (gains)	**(12,902)**	248,617
Gain on sale of investments in shares of stock	**–**	(633,974)
Unrealized mark-to-market losses on derivatives	**–**	257
Dividend income	**–**	(65)
Operating income before working capital changes	**8,304,233**	8,109,159
Decrease in operating assets	**1,437,600**	1,484,984
Increase (decrease) in operating liabilities	**2,260,896**	(1,806,353)
Net cash generated from operations	**12,002,729**	7,787,790
Income and final taxes paid	**(414,388)**	(351,237)
Net cash flows from operating activities	**11,588,341**	7,436,553
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**210,988**	133,586
Cash dividends received	**35,965**	941,940
Disposals of (additions to):		
Property, plant and equipment and investment properties	**(3,563,839)**	(4,542,404)
Land and improvements	**(822,913)**	(85,643)
Investments in and advances to associates	**–**	(234,376)
AFS investments	**–**	5,342
Increase in other noncurrent assets	**(485,524)**	(672,102)
Increase in intangible assets	**(6,795)**	(5,730)
Proceeds from sale of common shares of associates	**–**	606,133
Disposal of a subsidiary, net of cash disposed	**–**	254,343
Net cash flows used in investing activities	**(4,632,118)**	(3,598,911)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from long-term debts	**1,354,129**	2,673,980
Payments of finance lease obligation	**(1,996,232)**	(1,728,343)
Cash dividends paid to non-controlling interests	**(499,213)**	(330,668)
Net proceeds from (settlements of) bank loans	**(442,492)**	15,205
Interest paid	**(307,469)**	(310,083)
Acquisition of non-controlling interests	**–**	(895,000)
Re-issuance of treasury shares	**274,826**	–
Net cash flows used in financing activities	**(1,616,451)**	(574,909)

(Forward)

	2015	2014
NET INCREASE IN CASH AND CASH EQUIVALENTS	**₱5,339,772**	₱3,262,733
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(1,971)**	15,373
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**50,481,566**	36,118,190
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**₱55,819,367**	₱39,396,296

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS SCHEDULES AND DISCLOSURES

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

A. Components of Other Comprehensive Income

	For the three months ended March 31	
	2015	2014
Available-for-sale financial assets:		
Net unrealized valuation gains arising during the period	**₱1,456**	₱1,599
Share in movement in net unrealized valuation gains on AFS investments of an associate	**523,241**	398,380
Movement in actuarial gains on defined benefit plans	**7,112**	45,671
Exchange differences in translating foreign currency-denominated transactions	**(29,425)**	3,189
Share in movement in actuarial losses on defined benefit plans of associates	**(118)**	(62,330)
Share in movement in cumulative translation adjustments of associates	**(9,103)**	75,242
Other comprehensive income for the period - net of tax	**₱493,163**	₱461,751

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

	For the three months ended March 31, 2015		
	Before-Tax Amount	**Tax (Expense) Benefit**	**Net-of-Tax Amount**
Available-for-sale financial assets:			
Net unrealized valuation gains arising during the period	**₱1,456**	**₱–**	**₱1,456**
Share in movement in net unrealized mark to market losses on AFS investments of an associate	**523,241**	**–**	**523,241**
Movement in actuarial gains on defined benefit plans	**10,160**	**(3,048)**	**7,112**
Exchange differences in translating foreign currency-denominated transactions	**(29,425)**	**–**	**(29,425)**
Share in movement in actuarial losses on defined benefit plans of associates	**(168)**	**50**	**(118)**
Share in movement in cumulative translation adjustments of associates	**(9,103)**	**–**	**(9,103)**
Other comprehensive income for the period	**₱496,161**	**(₱2,998)**	**₱493,163**

	For the three months ended March 31, 2014		
	Before-Tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount
Available-for-sale financial assets:			
Net unrealized valuation gains arising during the period	₱1,599	₱–	₱1,599
Share in movement in net unrealized mark to market losses on AFS investments of an associate	398,380	–	398,380
Movement in actuarial gains on defined benefit plans	65,245	(19,574)	45,671
Exchange differences in translating foreign-denominated transactions	3,189	–	3,189
Share in movement in actuarial losses on defined benefit plans of associates	(89,043)	26,713	(62,330)
Share in movement in cumulative translation adjustments of associates	75,242	–	75,242
Other comprehensive income for the period	₱454,612	₱7,139	₱461,751

C. Investments and Advances

	March 31, 2015	December 31, 2014
Acquisition cost:		
Balance at beginning of period	**₱29,191,049**	₱27,968,228
Additions during the period	–	1,502,520
Disposals during the period	–	(279,699)
Balance at end of period	**29,191,049**	29,191,049
Accumulated equity in net earnings:		
Balance at beginning of period	**24,628,963**	23,143,839
Share in net earnings for the period	**1,109,317**	7,244,240
Disposals during the period	–	4,081
Dividends received or receivable	**(35,965)**	(5,763,197)
Balance at end of period	**25,702,315**	24,628,963
Gain on dilution	**1,014,137**	1,014,137
Share in net unrealized mark-to-market losses on AFS investment of an associate	**(945,491)**	(1,468,733)
Share in cumulative translation adjustments of associates	**(375,489)**	(375,489)
Share in actuarial losses on retirement benefit plans of associates	**(359,581)**	(359,464)
	54,226,940	52,630,463
Advances to associates	**317,578**	317,578
Investments in associates at equity	**54,544,518**	52,948,041
Less allowance for impairment loss	**680,731**	680,731
	₱53,863,787	₱52,267,310

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

	Nature of Business	% Ownership **March 31, 2015**
Manila-Oslo Renewable Enterprise, Inc.	Holding company	**83.33**
SN Aboitiz Power-Magat, Inc. (SNAP-Magat)	Power generation	**50.00**
SN Aboitiz Power-Benguet, Inc. (SNAP-Benguet)	Power generation	**50.00**
East Asia Utilities Corporation	Power generation	**50.00**
Accuria, Inc. *	Holding company	**49.54**
Hijos de F. Escaño, Inc.	Holding company	**46.73**
Union Bank of the Philippines (UBP)	Banking	**47.43**
San Fernando Electric Light & Power Co., Inc.	Power distribution	**43.78**
Pampanga Energy Ventures, Inc.	Holding company	**42.84**
STEAG State Power, Inc.	Power generation	**34.00**
Cebu Energy Development Corp.	Power generation	**26.40**
Redondo Peninsula Energy, Inc. *	Power generation	**25.00**
Southern Philippines Power Corporation	Power generation	**20.00**
Western Mindanao Power Corporation	Power generation	**20.00**
Cebu District Property Enterprise, Inc.	Real estate	**50.00**

**No commercial operations.*

D. Trade and Other Payables

	March 31, 2015	December 31, 2014
Trade payables	**₱9,521,909**	₱8,052,295
Others	**8,368,836**	7,579,270
	₱17,890,745	₱15,631,565

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

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

E. Bank Loans

	March 31, 2015		December 31, 2014	
	Interest Rate	**Amount**	Interest Rate	Amount
Financial institutions - unsecured:				
Peso denominated loans	**1.9% - 2.5%**	**₱6,760,700**	1.9% - 3.5%	₱7,343,700
Vietnamese Dong denominated loans	**4.5%**	**140,508**	-	-
		₱6,901,208		₱7,343,700

F. Long-term Debts

	March 31, 2015		December 31, 2014	
	Interest Rate	**Amount**	Interest Rate	Amount
Company:				
Financial and non-financial institutions - unsecured	**4.41% - 5.23%**	**₱9,188,000**	4.41% - 5.23%	₱9,188,000
Subsidiaries:				
Therma South, Inc. (TSI)				
Financial institution - secured	**4.5% - 6.43%**	**24,000,000**	4.5% - 6.43%	24,000,000
Aboitiz Power Corporation (AP)				
Financial and non-financial institutions - unsecured	**5.21% - 6.10%**	**10,000,000**	5.21% - 6.10%	10,000,000
Visayan Electric Company, Inc.				
Financial and non-financial institutions- unsecured	**3.5% - 4.81%**	**1,792,000**	3.5% - 4.81%	1,792,000
Luzon Hydro Corporation				
Financial institution - secured	**2.00% - 2.75%**	**1,727,656**	2.00% - 2.75%	1,728,428
Pilmico Foods Corporation				
Financial institutions - secured	**5.35% - 5.65%**	**2,072,000**	5.35% - 5.65%	1,372,000
Davao Light & Power Co., Inc.				
Financial institutions - unsecured	**3.50% - 4.81%**	**1,344,000**	3.50% - 4.81%	1,344,000
Aseagas Corporation				
Financial institution - secured	**4.89% - 5.06%**	**1,295,106**	4.89% - 5.06%	995,106
Pilmico Animal Nutrition Corporation				
Financial institution - secured	**6.47%**	**600,000**	6.47%	950,000
AboitizLand, Inc.				
Financial institutions:				
Peso - unsecured	**7.56% - 7.68%**	**₱586,296**	7.56% - 7.68%	₱585,404
Peso - secured	**4.67% - 6.89%**	**174,500**	4.67% - 6.89%	187,500
US Dollar - secured	**1.31% - 1.59%**	**125,686**	1.31% - 1.59%	131,208
Hedcor, Inc.				
Financial institution - secured	**5.25%**	**783,000**	5.25%	810,000
Cebu Praedia Development Corporation				
Financial institutions - unsecured	**4.12% - 5.11%**	**540,000**	4.12% - 5.11%	540,000
Subic Enerzone Corporation				
Financial institutions - unsecured	**5.61% - 6.06%**	**395,500**	5.61% - 6.06%	395,500
Cotabato Light & Power Co., Inc.				
Financial institution - unsecured	**3.50% - 4.81%**	**268,800**	3.50% - 4.81%	268,800
Joint Operation				
Pagbilao Energy Corporation				
Financial institution - secured	**4.70% - 6.68%**	**3,923,500**	4.70% - 6.68%	3,173,501
Total		**58,816,044**		57,461,447
Less deferred financing costs		**729,699**		739,463
		58,086,345		56,721,984
Less current portion		**3,170,781**		2,907,302
		₱54,915,564		₱53,814,682

G. Debt Securities

As of March 31, 2015 and December 31, 2014, AEV and Aboitiz Power Corporation (AP) registered and issued peso-denominated fixed-rate retail bonds totalling ₱18.0 billion under the following terms:

Maturity	Issuer	Interest Rate	Amount
7-year bonds to mature on November 21, 2020	AEV	4.4125% p.a.	₱6,200,000
10-year bonds to mature on November 21, 2023	AEV	4.6188% p.a.	1,800,000
10-year bonds to mature on September 10, 2021	AP	5.21% p.a.	6,634,370
12-year bonds to mature on September 10, 2026	AP	6.10% p.a.	3,365,630

H. Earnings Per Common Share

Earnings per common share amounts were computed as follows:

		Jan-Mar 2015	Jan-Mar 2014
a.	Net income attributable to equity holders of the parent	**₱4,085,814**	₱4,868,133
b.	Weighted average number of common shares issued and outstanding	**5,543,667**	5,521,872
	Earnings per common share (a/b)	**₱0.737**	₱0.882

There are no dilutive potential common shares as of March 31, 2015 and 2014.

I. Operating Segment Information

Operating segments are components of the Group that engage in business activities from which they may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group's Chief Operating Decision Maker (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 Board of Directors (BOD), which is the Group's CODM, are as follows:

- power segment, which is engaged in power generation and sale of electricity;
- food manufacturing segment, which is engaged in the production of flour and feeds and swine breeding;
- financial services segment, which is engaged in banking operations;
- real estate segment, which is engaged in real property development for sale and lease; and
- the parent company and others, which includes the operations of the Company and the service provider subsidiaries that cater mainly to the Group.

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

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

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

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

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Group, and that the revenue can be reliably measured.

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

	January - March. 31, 2015						
	Power	Financial Services	Food Manufacturing	Real Estate	Parent Company and Others	Eliminations	Consolidated
REVENUES							
Third parties	₱20,677,724	₱–	₱5,628,646	₱576,107	₱146,666	₱–	₱27,029,143
Inter-segment	23,919	–	–	–	46,326	(70,245)	–
Total revenue	₱20,701,643	₱–	₱5,628,646	₱576,107	₱192,992	(₱70,245)	₱27,029,143
RESULTS							
Segment results	₱6,189,466	₱–	₱610,786	₱107,476	(₱52,240)	₱–	₱6,855,488
Unallocated corporate income (expenses)	283,130	–	9,276	6,960	5,255	–	304,621
INCOME FROM OPERATIONS							7,160,109
Interest expense	(1,734,877)	–	(51,159)	(35,510)	(111,923)	–	(1,933,469)
Interest income	218,262	–	10,332	22,225	26,650	–	277,469
Share in net earnings of associates	727,188	382,066	–	–	3,859,466	(3,859,403)	1,109,317
Provision for income tax	(1,057,824)	–	(160,633)	(11,983)	(1,932)	–	(1,232,372)
NET INCOME							₱5,381,054
OTHER INFORMATION - as of March 31, 2015							
Segment assets	₱62,016,109	₱–	₱8,263,083	₱5,905,210	₱16,072,277	(₱9,391,501)	₱82,865,178
Investments and advances	25,507,501	27,212,429	–	1,492,028	79,109,999	(79,458,170)	53,863,787
Unallocated corporate assets	137,228,869	–	4,388,152	6,489,085	5,392,177	(88)	153,498,195
Consolidated total assets							₱290,227,160
Segment liabilities	₱133,640,353	₱–	₱7,981,906	₱4,534,141	₱18,040,285	(₱12,189,526)	₱152,007,159
Unallocated corporate liabilities	3,150,310	–	246,400	459,668	22,289	–	3,878,667
Consolidated total liabilities							₱155,885,826
Capital expenditures							₱3,563,839
Depreciation and amortization	₱1,007,597	₱–	₱101,356	₱11,945	₱35,710	₱–	₱1,156,608

	January – March 31, 2014						
	Power	Financial Services	Food Manufacturing	Real Estate	Parent Company and Others	Eliminations	Consolidated
REVENUES							
Third parties	20,679,660	₱–	₱4,257,655	₱664,358	₱138,702	₱–	₱25,740,375
Inter-segment	20,025	–	–	–	66,371	(86,396)	–
Total revenue	₱20,699,685	₱–	₱4,257,655	₱664,358	₱205,073	(₱86,396)	₱25,740,375
RESULTS							
Segment results	₱5,854,728	₱–	₱500,324	₱141,336	(₱26,058)	–	₱6,470,330
Unallocated corporate income (expenses)	206,486	(3,119)	8,315	8,444	632,417	–	852,543
INCOME FROM OPERATIONS							7,322,873
Interest expense	(1,690,968)	–	(36,649)	(15,883)	(152,035)	–	(1,895,535)
Interest income	108,563	–	1,633	4,404	13,004	–	127,604
Share in net earnings of associates	793,313	730,643	–	–	3,675,376	(3,674,946)	1,524,386
Provision for income tax	(837,356)	–	(135,000)	(7,586)	(937)	–	(980,879)
NET INCOME							₱6,098,449
OTHER INFORMATION - as of December 31, 2014							
Segment assets	₱56,726,089	₱–	₱7,968,619	₱6,607,461	₱7,903,047	(₱324,504)	₱78,880,712
Investments and advances	24,816,278	26,307,238	–	1,492,028	83,851,069	(84,199,303)	52,267,310
Unallocated corporate assets	135,218,653	–	3,470,332	5,745,741	5,413,896	(88)	149,848,534
Consolidated total assets							₱280,996,556
Segment liabilities	₱118,420,852	₱–	₱8,497,988	₱4,409,160	₱12,027,494	(₱298,739)	₱143,056,755
Unallocated corporate liabilities	2,259,729	–	148,637	546,087	50,384	–	3,004,837
Consolidated total liabilities							₱146,061,592
	January – March 31, 2014						
Capital expenditures							P4,542,404
Depreciation and amortization	₱1,063,572	₱–	₱82,459	₱2,719	₱22,998	₱–	₱1,171,748

J. Financial Risk Management Objectives and Policies

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

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

Risk Management Structure
The BOD is mainly responsible for the overall risk management approach and for the approval of risk strategies and principles of the Group.

Financial Risk Committee
The Financial Risk Committee has the overall responsibility for the development of risk strategies, principles, frameworks, policies and limits. It establishes a forum of discussion of the Group's approach to risk issues in order to make relevant decisions.

Treasury Service Group
The Treasury Service Group is responsible for the comprehensive monitoring, evaluating and analyzing of the Group's risks in line with the policies and limits.

The main risks arising from the Group's financial instruments are interest rate risk resulting from movements in interest rates that may have an impact on outstanding long-term debt; credit risk involving possible exposure to counter-party default on its cash and cash equivalents, AFS investments and trade and other receivables; liquidity risk in terms of the proper matching of the type of financing required for specific investments; and foreign exchange risk in terms of foreign exchange fluctuations that may significantly affect its foreign currency denominated placements and borrowings.

Market Risk
The risk of loss, immediate or over time, due to adverse fluctuations in the price or market value of instruments, products, and transactions in the Group's overall portfolio (whether on or off-balance sheet) is market risk. These are influenced by foreign and domestic interest rates, foreign exchange rates and gross domestic product growth.

Interest rate risk
The Group's exposure to market risk for changes in interest rates relates primarily to its long-term debt obligations. To manage this risk, the Group determines the mix of its debt portfolio as a function of the level of current interest rates, the required tenor of the loan, and the general use of the proceeds of its various fund raising activities. As of March 31, 2015, 3.18% of the Group's long-term debt had floating interest rates ranging from 1.31% to 2.75%, and 96.82% are with fixed rates ranging from 3.50% to 7.68%. As of December 31, 2014, 3.26% of the Group's long-term debt had floating interest rates ranging from 1.31% to 2.75%, and 96.74% are with fixed rates ranging from 3.50% to 7.68%.

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

As of March 31, 2015

	Less than 1 year	1-5 years	More than 5 years	Total
Long-term debts				
Floating rate	**₱244,148**	**₱1,348,594**	**₱252,323**	**₱1,845,065**
Fixed rate	**2,926,633**	**13,792,462**	**39,522,185**	**56,241,280**
	₱3,170,781	**₱15,141,056**	**₱39,774,508**	**₱58,086,345**

As of December 31, 2014

	Less than 1 year	1-5 years	More than 5 years	Total
Long-term debts				
Floating rate	₱243,658	₱1,354,664	₱252,436	₱1,850,758
Fixed rate	2,663,644	5,735,424	46,472,158	54,871,226
	₱2,907,302	₱7,090,088	₱46,724,594	₱56,721,984

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

The interest expense and other finance charges recognized according to source are as follows:

	January-March 2015	January-March 2014
Finance lease obligation	**₱1,485,164**	₱1,570,381
Bank loans and long-term debt	**413,230**	284,727
Customers' deposits	**1,323**	715
Other long-term obligations	**33,752**	39,712
	₱1,933,469	₱1,895,535

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's income before tax (through the impact on floating rate borrowings):

	Increase (decrease) in basis points	Effect on income before tax
March 31, 2015	**200**	**(₱9,099)**
	(100)	**4,549**
March 31, 2014	200	(₱10,523)
	(100)	5,262

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

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

Foreign exchange risk
The foreign exchange risk of the Group pertains significantly to its foreign currency denominated borrowings, including obligations under finance lease. To mitigate the risk of incurring foreign exchange losses, foreign currency holdings are matched against the potential need for foreign currency in financing equity investments and new projects. As of March 31, 2015 and December 31, 2014, foreign currency denominated borrowings account for 24.53% and 24.75%, respectively, of total consolidated borrowings.

The following table presents the Group's foreign currency denominated assets and liabilities:

	March 31, 2015		December 31, 2014	
	US Dollar	**Philippine Peso equivalent[1]**	US Dollar	Philippine Peso equivalent[2]
Loans and receivables:				
Cash and cash equivalents	**$127,192**	**₱5,685,498**	$57,659	₱2,578,504
Trade and other receivables	**4,748**	**212,221**	7,482	334,588
Total financial assets	**131,940**	**5,897,719**	65,141	2,913,092
Other financial liabilities:				
Bank loans[3]	**3,143**	**140,508**	-	-
Trade and other payables	**2,172**	**97,076**	16,983	759,470
Long-term debt	**41,277**	**1,845,065**	41,385	1,850,758
Finance lease obligation	**608,319**	**27,191,859**	614,635	27,486,477
Total financial liabilities	**654,911**	**29,274,508**	673,003	30,096,705
Total net financial liabilities	**($522,971)**	**(₱23,376,789)**	($607,862)	(₱27,183,613)

[1]$1 = ₱44.700
[2]$1 = ₱44.720
[3]The original currency of these loans is Vietnamese Dong.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rates, with all other variables held constant, of the Group's income before tax as of:

	Increase/ (decrease) in US Dollar	Effect on income before tax
March 31, 2015		
US Dollar denominated accounts	**US Dollar strengthens by 5%**	**(₱1,168,840)**
US Dollar denominated accounts	**US Dollar weakens by 5%**	**1,168,840**
December 31, 2014		
US Dollar denominated accounts	US Dollar strengthens by 5%	(₱1,359,181)
US Dollar denominated accounts	US Dollar weakens by 5%	1,359,181

The increase in US Dollar rate represents the depreciation of the Philippine Peso while the decrease in US Dollar rate represents appreciation of the Philippine Peso.

There is no other impact on the Group's equity other than those already affecting the consolidated 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 March 31, 2015 and December 31, 2014, the Group's exposure to equity price risk is minimal.

Credit risk

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

Liquidity risk

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

Currently, the Group is maintaining a positive cash position, conserving its cash resources through renewed focus on working capital improvement and capital reprioritization. The Group meets its financing requirements through a mixture of cash generated from its operations and short-term and long-term borrowings. Adequate banking facilities and reserve borrowing capacities are maintained.

The Group is in compliance with all of the financial covenants per its loan agreements, none of which is expected to present a material restriction on funding or its investment policy in the near future. The Group has sufficient undrawn borrowing facilities, which could be utilized to settle obligations.

In managing its long-term financial requirements, the policy of the Group is that not more than 25% of long term borrowings should mature in any twelve-month period. As of March 31, 2015 and December 31, 2014, the portion of the total long-term debt, inclusive of customers' deposits, that will mature in less than one year is 4.36% and 4.17%, 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 ₱55.82 billion and ₱14.54 billion as of March 31, 2015 and ₱50.48 billion and ₱16.64 billion as of December 31, 2014, respectively. These financial assets will be used to fund short-term and operational liquidity needs of the Group

The table below analyses the financial liabilities of the Group into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity. The amounts disclosed in the table are the contractual undiscounted cash flows.

March 31, 2015

	Total carrying value	Contractual undiscounted principal payments				
		Total	On demand	<1 year	1 to 5 years	> 5 years
Trade and other payables *	₱15,757,677	₱15,757,677	₱ 1,532	₱15,756,145	₱–	₱–
Customers' deposits	6,016,518	6,016,518	–	–	46,717	5,969,801
Bank loans	6,901,208	6,901,208	–	6,901,208	–	–
Finance lease obligation	53,935,081	92,299,536	–	7,432,686	42,132,150	42,734,700
Long-term obligation on power distribution system	263,807	520,000	–	40,000	200,000	280,000
Long-term debts	58,086,345	61,256,272	–	3,599,228	16,830,894	40,826,150
Dividends payable	6,153,470	6,153,470	–	6,153,470	–	–
Derivative liabilities	10,277	10,277	–	10,277	–	–
	₱147,124,383	₱188,914,958	₱1,532	₱39,893,014	₱59,209,761	₱89,810,651

*Excludes statutory liabilities

Capital Management

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

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

Certain entities within the Group that are registered with the Board of Investments are required to raise minimum amount of capital in order to avail of their registration incentives. As of March 31, 2015 and December 31, 2014, these entities have complied with this requirement as applicable.

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

Gearing ratios of the Group as of March 31, 2015 and December 31, 2014 are as follows:

	March 31, 2015	December 31, 2014
Bank loans	**₱6,901,208**	₱7,343,700
Long-term obligations	**112,021,426**	₱111,183,005
Cash and cash equivalents	**(55,819,367)**	(50,481,566)
Net debt (a)	**63,103,267**	68,045,139
Equity	**134,341,334**	134,934,964
Equity and net debt (b)	**₱197,444,601**	₱202,980,103

Gearing ratio (a/b)	**31.96%**	33.52%

K. **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.

	March 31, 2015		December 31, 2014	
	Carrying Amounts	**Fair Values**	Carrying Amounts	Fair Values
Financial Liabilities				
Finance lease obligation	**₱53,935,081**	**₱58,865,232**	₱54,461,021	₱67,425,952
Long-term debt - fixed rate	**56,241,280**	**56,390,904**	54,871,226	55,094,367
Long-term obligation on PDS	**263,807**	**420,143**	256,015	415,314
	₱110,440,168	**₱115,676,279**	₱109,588,262	₱122,935,633

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

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

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

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

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

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

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

AFS investments. The fair values of AFS investments are based on quoted market prices, except for unquoted equity shares which are carried at cost since fair values are not readily determinable.

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

The Group enters into non-deliverable short-term forward contracts with counterparty banks to manage its foreign currency risks associated with foreign currency-denominated liabilities and purchases. It also enters into an interest rate swap agreement to fully hedge its floating rate exposure on its foreign currency-denominated loan and par forward contracts to hedge the floating rate exposure on foreign-currency denominated payments.

As of March 31, 2015 and December 31, 2014, the Group recognized net derivative assets relating to these contracts amounting to ₱78.9 million and ₱112.5 million, respectively.

The movements in fair value changes of all derivative instruments for the year ended March 31, 2015 and December 31, 2014 are as follows:

	March 31, 2015	December 31, 2014
At beginning of year	**₱112,544**	₱30,877
Net changes in fair value of derivatives designated as accounting hedges	**(33,689)**	55,600
Net changes in fair value of derivatives not designated as accounting hedges	**-**	(897)
Fair value of settled instruments	**-**	26,964
At end of year	**₱78,855**	₱112,544

The loss amounting to nil in 2015 and ₱0.9 million in 2014 from the net fair value changes relating to the forward contracts is included as "Foreign exchange gains - net" under "Other income - net". The changes in the fair value of the interest rate swap designated as a cash flow hedge were deferred in equity under "Cumulative translation adjustments".

Fair Value Hierarchy

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

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

As of March 31, 2015, the Group held the following financial instruments that are measured and carried or disclosed at fair value:

March 31, 2015

	Total	**Level 1**	**Level 2**	**Level 3**
Carried at fair value:				
AFS investments	**₱15,178**	**₱15,178**	**₱–**	**₱–**
Derivative asset	**89,132**	**–**	**89,132**	**–**
Derivative liability	**10,277**	**–**	**10,277**	**–**
Disclosed at fair value:				
Obligations under finance lease	**58,865,232**	**–**	**–**	**58,865,232**
Long-term debt - fixed rate	**56,390,904**	**–**	**–**	**56,390,904**
Long-term obligation on PDS	**420,143**	**–**	**–**	**420,143**

December 31, 2014

	Total	Level 1	Level 2	Level 3
Carried at fair value:				
AFS investments	₱13,720	₱13,720	₱–	₱–
Derivative asset	112,544	–	112,544	–
Disclosed at fair value:				
Obligations under finance lease	67,425,952	–	–	67,425,952
Long-term debt - fixed rate	55,094,367	–	–	55,094,367
Long-term obligation on PDS	415,314	–	–	415,314

During the period ended March 31, 2015 and December 31, 2014, there were no transfers between level 1 and level 2 fair value measurements and transfers into and out of level 3 fair value measurement.

L. **Disclosures**

1. Corporate Information

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

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

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

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

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

The unaudited condensed consolidated financial statements are prepared in compliance with Philippine Accounting Standard (PAS) 34, Interim Financial Reporting. Accordingly, the unaudited condensed consolidated financial statements do not include all of the information and disclosures required in the December 31, 2014 annual audited consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as of and for the year ended December 31, 2014 .

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

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except for the new and revised PFRS and Philippine Interpretations which the Group has adopted starting January 1, 2015. Except as otherwise indicated, adoption of the following new and amended PFRS and Philippine Interpretations did not have any significant impact to the Group's consolidated financial statements:

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments)
  Amendment to PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. It clarifies that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service.

  This amendment is not applicable to the Group since the entities in the Group have defined benefit plans which do not require contributions from employees or third parties.

Annual Improvements to PFRSs (2010-2012 cycle)

The Annual Improvements to PFRSs (2010-2012 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Group. They include:

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*
  This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

  a. A performance condition must contain a service condition
  b. A performance target must be met while the counterparty is rendering service
  c. A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
  d. A performance condition may be a market or non-market condition
  e. If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
  The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39 (or PFRS 9, if early adopted). The Group shall consider this amendment for future business combinations.

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of The Total of the Reportable Segments' Assets to the Entity's Assets*
  The amendments are applied retrospectively and clarify that:
  a. An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are "similar".
  b. The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

- PAS 16, *Property, Plant and Equipment, and PAS 38, Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*
  The amendment is applied retrospectively and clarifies that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.

- PAS 24, *Related Party Disclosures - Key Management Personnel Services*
  The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

<u>Annual Improvements to PFRSs (2011-2013 cycle)</u>
The Annual Improvements to PFRSs (2011-2013 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have any material impact on the Group. They include:

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
  The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:
  a. Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
  b. This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

- PFRS 13, *Fair Value Measurement - Portfolio Exception*
  The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39.

- PAS 40, *Investment Property*
  The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

New Accounting Standards, Interpretations, and Amendments to Existing Standards Not Yet Effective as of March 31, 2015:

The Group will adopt the standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have significant impact on its financial statements.

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments)
  The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

- PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture - Bearer Plants* (Amendments)
  The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group as it does not have any bearer plants.

- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* (Amendments)
  The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on the Group's consolidated financial statements.

- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
  These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are effective from annual periods beginning on or after January 1, 2016.

- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* (Amendments)
  The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

  The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. The Group shall consider these amendments if it enters into this type of arrangement in the future.

- PFRS 14, *Regulatory Deferral Accounts*
  PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items in the balance sheets and present movements in these account balances as separate line items in the statement of income and statement of other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. This standard is not applicable since the Group is an existing PFRS preparer.

Annual Improvements to PFRSs (2012-2014 cycle)

The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have any material impact on the Group. They include:

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
  The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

- PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*
  PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

- PFRS 7, *Financial Instruments: Disclosures - Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
  This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

- PAS 19, *Employee Benefits - Regional Market Issue Regarding Discount Rate*
  This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

- PAS 34, *Interim Financial Reporting - Disclosure of Information "Elsewhere in the Interim Financial Report"*
  The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

- PFRS 9, *Financial Instruments - Hedge Accounting and Amendments to PFRS 9, PFRS 7 and PAS 39* (2013 version)
  PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

  PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the FRSC. The adoption of the final version of PFRS 9, however, is still for approval by the BOA.

- PFRS 9, *Financial Instruments* (2014 or final version)
  In July 2014, the final version of PFRS 9 was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39 and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015.

  The adoption of PFRS 9 will have an effect on the classification and measurement of and impairment methodology for the Group's financial assets, and on its application of hedge accounting. However, it will have no impact on the classification and measurement of its financial liabilities.

  After evaluating the impact of PFRS 9 and considering that it will not have any significant effect on the Group's operating results or financial condition, management has decided not to early adopt the said standard. It will be implemented only when it becomes effective on January 1, 2018. Thus, the consolidated financial statements do not reflect the impact of this standard.

The following new standard issued by the International Accounting Standards Board (IASB) has not yet been adopted by the Philippine Financial Reporting Standards Council (FRSC):

- PFRS 15, *Revenue from Contracts with Customers*
  PFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15

provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

Basis of Consolidation

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

		Percentage of Ownership			
		March 31, 2015		December 31, 2014	
	Nature of Business	**Direct**	**Indirect**	Direct	Indirect
Aboitiz Power Corporation (AP) and Subsidiaries	Power	**76.88**	**–**	76.88	–
Aboitiz Energy Solutions, Inc. (AESI)	Power	**–**	**100.00**	–	100.00
Balamban Enerzone Corporation (BEZ)	Power	**–**	**100.00**	–	100.00
Lima Enerzone Corporation (LEZ)	Power	**–**	**100.00**	–	100.00
Mactan Enerzone Corporation (MEZ)	Power	**–**	**100.00**	–	100.00
Subic Enerzone Corporation (SEZ)	Power	**–**	**100.00**	–	100.00
Cotabato Light & Power Co., Inc. (CLP)	Power	**–**	**99.94**	–	99.94
Cotabato Ice Plant, Inc.	Manufacturing	**–**	**100.00**	–	100.00
Davao Light & Power Co., Inc. (DLP)	Power	**–**	**99.93**	–	99.93
Visayan Electric Company (VECO)	Power	**–**	**55.26**	–	55.26
Aboitiz Renewables Inc. (ARI) and			**100.00**		100.00
Subsidiaries	Power	**–**		–	
AP Renewables, Inc. (APRI)	Power	**–**	**100.00**	–	100.00
Hedcor, Inc. (HI)	Power	**–**	**100.00**	–	100.00
Hedcor Mt. Province, Inc. *	Power	**–**	**100.00**	–	100.00
Hedcor Benguet, Inc. (BHI) *	Power	**–**	**100.00**	–	100.00
Hedcor Bukidnon, Inc. *	Power	**–**	**100.00**	–	100.00
Hedcor Cordillera, Inc. *	Power	**–**	**100.00**	–	100.00
Hedcor Ifugao, Inc. *	Power	**–**	**100.00**	–	100.00
Hedcor Mabinay, Inc. *	Power	**–**	**100.00**	–	100.00
Hedcor Manolo Fortich, Inc. *	Power	**–**	**100.00**	–	100.00
Hedcor Sabangan, Inc. *	Power	**–**	**100.00**	–	100.00
Hedcor Sibulan, Inc. (HSI)	Power	**–**	**100.00**	–	100.00
Hedcor Tamugan, Inc. (HTI) *	Power	**–**	**100.00**	–	100.00
Hedcor Tudaya, Inc. (Hedcor Tudaya)	Power	**–**	**100.00**	–	100.00
Kookaburra Equity Ventures, Inc.	Holding company	**–**	**100.00**	–	100.00
Mount Apo Geopower, Inc. *	Power	**–**	**100.00**	–	100.00
Cleanergy, Inc. (CI) *	Power	**–**	**100.00**	–	100.00
Hydro Electric Development Corporation	Power	**–**	**99.97**	–	99.97
Luzon Hydro Corporation (LHC)	Power	**–**	**100.00**	–	100.00
Bakun Power Line Corporation *	Power	**–**	**100.00**	–	100.00
AP Solar Tiwi, Inc. *	Power	**–**	**100.00**	–	100.00
Cordillera Hydro Corporation (CHC) *	Power	**–**	**100.00**	–	100.00
Negron Cuadrado Geopower, Inc. (NCGI) *	Power	**–**	**100.00**	–	100.00
Tagoloan Hydro Corporation *	Power	**–**	**100.00**	–	100.00
Therma Power, Inc. (TPI) and Subsidiaries	Power	**–**	**100.00**	–	100.00
Abovant Holdings, Inc. (AHI)	Power	**–**	**60.00**	–	60.00
Therma Power Visayas, Inc. (TPVI) *	Power	**–**	**100.00**	–	100.00
Therma Luzon, Inc. (TLI)	Power	**–**	**100.00**	–	100.00
Therma Marine, Inc. (Therma Marine)	Power	**–**	**100.00**	–	100.00
Therma Mobile, Inc.(Therma Mobile)	Power	**–**	**100.00**	–	100.00
Therma South, Inc. (TSI) *	Power	**–**	**100.00**	–	100.00
Therma Central Visayas, Inc. (TCVI) *	Power	**–**	**100.00**	–	100.00
Therma Southern Mindanao, Inc .(TSMI) *	Power	**–**	**100.00**	–	100.00
Therma Subic, Inc. (Therma Subic) *	Power	**–**	**100.00**	–	100.00
Therma Visayas, Inc. (TVI) *	Power	**–**	**80.00**	–	80.00
Adventenergy, Inc. (AI)	Power	**–**	**100.00**	–	100.00
Cebu Private Power Corporation (CPPC)	Power	**–**	**60.00**	–	60.00
Prism Energy, Inc. (PEI) *	Power	**–**	**60.00**	–	60.00

(Forward)

		Percentage of Ownership			
		March 31, 2015		December 31, 2014	
	Nature of Business	**Direct**	**Indirect**	Direct	Indirect
Pilmico Foods Corporation (PILMICO) and Subsidiaries	Food manufacturing	**100.00**	**–**	100.00	–
Fil-Agri Holdings, Inc.	Holding company	**–**	**100.00**	–	100.00
Pilmico Animal Nutrition Corporation (PANC)	Food manufacturing	**–**	**100.00**	–	100.00
Fil-Agri, Inc.	Real Estate	**–**	**100.00**	–	100.00
AboitizLand, Inc. (AboitizLand) and Subsidiaries	Real estate	**100.00**	**–**	100.00	–
Cebu Industrial Park Developers, Inc. (CIPDI)	Real estate	**–**	**60.00**	–	60.00
Misamis Oriental Land Development, Inc. (MOLDC)	Real estate	**–**	**60.00**	–	60.00
Propriedad del Norte, Inc. (PDNI)	Real estate	**–**	**100.00**	–	100.00
Lima Land, Inc (LLI) and Subsidiaries	Real estate	**–**	**100.00**	–	100.00
Lima Water Corporation (LWC)	Water	**–**	**100.00**	–	100.00
AEV International Pte. Ltd and Subsidiary (AEV International)	Holding company	**100.00**	**–**	100.00	–
Pilmico International Pte. Ltd and Subsidiary (Pilmico International)	Holding company	**–**	**100.00**	–	100.00
Pilmico VHF Joint Stock Company (formerly Vinh Hoan 1 Feed Joint Stock Company)	Food manufacturing	**–**	**100.00**	–	100.00
Archipelago Insurance Pte Ltd (AIPL)	Insurance	**100.00**	**–**	100.00	–
Aseagas Corporation (Aseagas) *	Biogas Manufacturing	**100.00**	**–**	100.00	–
AEV Aviation, Inc. (AEV Aviation)	Service	**73.31**	**26.69**	73.31	26.69
AEV Properties, Inc. *	Real estate	**100.00**	**–**	100.00	–
Cebu Praedia Development Corporation (CPDC)	Real estate	**100.00**	**–**	100.00	–

**No commercial operations as of March 31, 2015 and December 31, 2014.*

3. Seasonality of Interim Operations

Operations of hydropower plants are generally affected by climatic seasonality. Seasonality and location have a direct effect on the level of precipitation. In Luzon where rainy and summer seasons are more pronounced, higher rainfall is normally experienced in the months of June to September. As such, the hydropower plants located in Luzon operate at their maximum capacity during this period. In contrast, the hydropower plants in Mindanao experience a well-distributed rainfall throughout the year, with a slightly better precipitation during the months of December to April. This precipitation seasonality greatly affects subsidiary companies HI, HSI, HTI and LHC, which operate 'run-of-river' hydropower plants since these plants do not have any means to impound water.

Any unexpected change in the seasonal aspects will have no material effect on the Group's financial condition or results of operations.

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

During the first quarter of 2015, additions to property, plant and equipment totaled ₱3.56 billion. While part of said increase is attributed to Power Group's ₱406.0 million acquisition of distribution assets and CPDC's ₱655.0 million purchase of a piece of property, a significant portion of the remaining balance relates to various projects under "Construction in progress" as of March 31, 2015, as shown below:

Project Company	Estimated costs to complete (in millions)	% of completion
Power Group		
Therma Visayas	₱37,647	3%
PEC	18,646	16%
Hedcor Bukidnon	11,307	0%
Therma South	5,256	84%
Hedcor Sabangan	532	72%

For the period, construction costs for the various projects reached ₱2.5 billion, which includes capitalized borrowing costs amounting to ₱356 million.

Net additions to land and improvements and investment properties amounted to ₱635.0 million, representing AboitizLand's purchase of various lots for future development.

5. Material Events and Changes

a. Dividend declaration
On March 10, 2015, the Board of Directors (BOD) of the Company approved the declaration of cash dividends of ₱1.11 a share (₱6.15 billion) to all stockholders of record as of March 24, 2015, payable on April 20, 2015. Said dividend is declared out of AEV's unrestricted retained earnings as of December 31, 2014.

b. Bidding for LRT Line 2 System and the Masinag Extension System Project
On January 27, 2015, the Company submitted the pre-qualification documents to the Department of Transportation and Communication (DOTC) for the bidding of the operation and maintenance of the existing LRT Line 2 (LRT2) system and the Masinag Extension system (the "Project"). The Company is participating in the bidding through a consortium referred to as the Aboitiz-SMRT Transport Solutions Consortium, in partnership with SMRT International Pte. Ltd.

c. Bidding for Laguna Lake Expressway-Dike Project
On February 27, 2015, AEV through Team Trident consortium, filed the pre-qualification documents with the Department of Public Work and Highways (DPWH) for the bidding to finance, design, construct, operate and maintain the Laguna Lake Expressway-Dike Project under the Public-Private Partnership (PPP) Program of the government. Team Trident is a consortium among AEV, Ayala Land, Inc. (ALI), Megaworld Corporation (MEG), SM Prime Holdings, Inc. (SMPH) and the lead member, Trident Infrastructure and Development Corporation (TIDC). TIDC is a joint venture (JV) company among AEV, ALI, MEG and SMPH incorporated for purposes of pre-qualifying for the bidding and evaluating the feasibility of the Project.

d. Signing of Contractual Joint Venture and Bulk Water Purchase Agreements
On March 17, 2015, AEV was informed by Apo Agua Infrastructura, Inc. (Apo Agua) that it signed the contractual JV agreement and bulk water purchase agreement (BWPA) with Davao City Water District (DCWD). Under the BWPA, Apo Agua committed to supply treated bulk water of up to 300 million liters per day to DCWD from a facility that will be powered by a hydroelectric power plant, a renewable energy facility. The agreements are subject to conditions precedent that need to be satisfied.

Apo Agua is the JV company formed by AEV and J.V. Angeles Construction Corporation for the Tamugan Surface Water Development Project.

e. BOD Approval for Issuance of Fixed-Rate Retail Bonds
On March 26, 2015, the BOD of the Company approved the issuance of fixed-rate retail bonds in the aggregate amount of up to ₱25 billion, inclusive of over subscription (the "Bonds"), to be issued in one or more tranches depending on market conditions. The Bonds will be registered under the Securities Regulation Code and is expected to be offered to the general public in the second half of 2015. AEV is also planning to list the Bonds with the Philippine Dealing and Exchange Corporation.

The BOD delegated to Management the final determination of the offer price, tenors, and other terms and conditions of the Bonds. AEV will use the proceeds of the Bonds to finance planned acquisitions, future investments and other general corporate requirements.

f. Sale of AEV's Treasury Shares
The Company sold 5,085,500 treasury shares on January 20, 2015 at ₱54.40 per share. Net proceeds from the sale amounted to ₱275.0 million. Remaining balance of treasury shares authorized to be sold stand at 28,205,014 shares.

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

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

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

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

6. Events After the Reporting Period

On April 14, 2015, AP publicly disclosed that it was advised by its wholly-owned subsidiary, TSI, of the effect of a disruption in the commissioning schedule of Unit 2 of its Davao coal power plant.

The disruption occurred during the Mindanao-wide blackout last April 5, 2015 which caused damage to the auxiliary components and the pollution control system of the plant. The damage will delay the commercial operations of Unit 2 by approximately 10 months. Despite the delay, the commissioning of Unit 1 remains on schedule.

8. Material Adjustments

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

9. Contingencies

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

The Company obtained Standby Letters of Credit and is acting as surety for the benefit of certain associates and a subsidiary in connection with loans and credit accommodations.

M. Schedule of Relevant Financial Ratios

	Formula	March 2015	December 2014
LIQUIDITY RATIOS			
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	**2.20**	2.76
Acid test ratio	$\frac{\text{Cash + Marketable securities + Accounts receivable + Other liquid assets}}{\text{Current liabilities}}$	**1.87**	2.35
SOLVENCY RATIOS			
Debt to equity ratio	$\frac{\text{Total liabilites}}{\text{Total equity}}$	**1.16**	1.08
Asset to equity ratio	$\frac{\text{Total Assets}}{\text{Total Equity}}$	**2.16**	2.08
Net debt to equity ratio	$\frac{\text{Debt - Cash \& cash equivalents}}{\text{Total Equity}}$	**0.47**	0.50
Gearing ratio	$\frac{\text{Debt - Cash \& cash equivalents}}{\text{Total Equity + (Debt - Cash \& cash equivalents)}}$	**31.96%**	33.52%
Interest coverage ratio	$\frac{\text{EBIT}}{\text{Interest expense}}$	**4.98**	5.44
PROFITABILITY RATIOS			
Operating margin	$\frac{\text{Operating profit}}{\text{Total revenues}}$	**25.4%**	22.3%
Return on equity *	$\frac{\text{Net income after tax}}{\text{Total equity}}$	**n.a.**	20.45%

*Ratio marked * is deemed not applicable (n.a.) for the interim reporting period since this will not be comparable to the ratio reported in the previous period.*

ABOITIZ EQUITY VENTURES, INC. & SUBSIDIARIES
AGING OF RECEIVABLES

AS OF : **MARCH 31, 2015**

(amts in P000's)

	30 Days	60 Days	90 Days	Over 90 Days	Total
Trade Receivables					
Power	6,139,960	564,951	519,933	2,441,305	9,666,149
Food Manufacturing	1,497,607	37,670	23,239	186,985	1,745,501
Realty	98,724	124,460	83,962	1,316,057	1,623,203
Holding and Others	290,061	70,218	14,235	128,456	502,970
	8,026,352	**797,299**	**641,369**	**4,072,803**	**13,537,823**
Others	**2,188,426**	**59,868**	**82,907**	**791,736**	**3,122,937**
	10,214,778	**857,167**	**724,276**	**4,864,539**	**16,660,760**
Less Allowance for Doubtful Accounts					**1,803,560**
					14,857,200

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AS OF : **DECEMBER 31, 2014**

	30 Days	60 Days	90 Days	Over 90 Days	Total
Trade Receivables					
Power	5,942,495	1,746,265	255,420	3,145,078	11,089,258
Food Manufacturing	1,753,741	97,174	26,277	162,753	2,039,945
Realty	1,530,195	38,696	28,349	302,185	1,899,425
Holding and Others	250,619	33,429	15,107	10,311	309,466
	9,477,050	**1,915,564**	**325,153**	**3,620,327**	**15,338,094**
Others	**2,926,050**	**5,644**	**9,593**	**310,820**	**3,252,107**
	12,403,100	**1,921,208**	**334,746**	**3,931,147**	**18,590,201**
Less Allowance for Doubtful Accounts					**1,658,012**
					16,932,189

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ACCOUNTS RECEIVABLE DESCRIPTION

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

NORMAL OPERATING CYCLE

Power Subsidiaries

Distribution	-	60 days
Generation	-	65 days
Food Subsidiary	-	90 days
Aviation Subsidiary	-	60 days
Real Estate Subsidiary	-	30 days