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SECURITIES AND EXCHANGE COMMISSION

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Company Information

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Industry Classification	
Company Type	Stock Corporation

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aboitiz Equity Ventures

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

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

ATTENTION : **MR. JOSE VALERIANO B. ZUNO III**
OIC - Head, Disclosure Department

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

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

Gentlemen:

We submit for your files the SEC Form 17-Q (Second 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

M. JASMINE S. OPORTO
Corporate Secretary

COVER SHEET

C E O 2 5 3 6

S.E.C. Registration Number

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

(Company's Full Name)

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

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

P H I L I P P I N E S

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

M. JASMINE S. OPORTO

Contact Person

(02) 886-2729

Company Telephone Number

1 2 3 1

Month *Day*

Fiscal Year

1 7 - Q

FORM TYPE

3rd Monday of May

0 5 1 6

Month *Day*

Annual Meeting

N/A

Secondary License Type, if Applicable

SEC

Dept. Requiring this Doc

N/A

Amended Articles Number/Section

Total No. of Stockholders

x

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

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SECURITIES & EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **June 30, 2016**

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

4. Exact name of issuer as specified in its charter

   ABOITIZ EQUITY VENTURES, INC.

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

   Philippines

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

7. Address of issuer's principal office Postal Code

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

8. Issuer's telephone number, including area code

   (02) 886-2800

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

   N/A

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock ₱1 Par Value	**5,633,792,557**
Amount of Debt Outstanding (June 30, 2016)	**₱180,230,126,448.00**

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

    Yes [**x**] No [ ]

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

    Philippine Stock Exchange **Common**

12. Indicate by check mark whether the registrant:

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

Yes [**x**] No [ ]

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

Yes [**x**] No [ ]

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

Please refer to the financial statements and schedules attached herewith.

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

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

TOP FIVE KEY PERFORMANCE INDICATORS

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

1. EQUITY IN NET EARNINGS OF INVESTEES

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

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

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

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

3. CASH FLOW GENERATED

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

4. CURRENT RATIO

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

5. DEBT-TO-EQUITY RATIO

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

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

	JAN-JUN 2016	JAN-JUN 2015
EQUITY IN NET EARNINGS OF INVESTEES	**4,161,962**	2,242,037
EBITDA	**22,794,982**	18,201,079
CASH FLOW GENERATED:		
Net cash flows from operating activities	**16,679,175**	17,689,376
Net cash flows used in investing activities	**(13,555,405)**	(9,509,624)
Net cash flows from (used in) financing activities	**6,033,672**	(5,758,923)
Net Increase in Cash & Cash Equivalents	**9,157,442**	2,420,829
Cash & Cash Equivalents, Beginning	**63,581,884**	50,481,566
Cash & Cash Equivalents, End	**72,693,557**	52,924,204
	JUN 30, 2016	**DEC 31, 2015**
CURRENT RATIO	**2.76**	2.84
DEBT-TO-EQUITY RATIO	**1.38**	1.31

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 with the 86% rise in their income contribution to the Group. Consolidated EBITDA, which increased by 25%, translated into additional cash inflows coming from subsidiaries' operations and from dividend payments of associates. The internally-generated funds were then used to finance capital expenditures, settle maturing financial obligations and pay cash dividends.

With higher borrowings at the end of June 2016, debt-to-equity ratio edged up to 1.38x (versus end-2015's 1.31x). Meanwhile, current ratio stood at 2.76x (versus end-2015's 2.84x) as increase in current liabilities outpaced the increase in current assets.

REVIEW OF JAN-JUN 2016 OPERATIONS VERSUS JAN-JUN 2015

RESULTS OF OPERATIONS

For the period ended June 2016, AEV and its subsidiaries posted a consolidated net income of ₱10.50 billion, a 34% YoY increase. This translates to an earnings per share of ₱1.89 for the period in review. In terms of income contribution, Power Group still accounted for the bulk at 67%, followed by the Financial Services, Food, Infrastructure and Real Estate Groups at 17%, 8%, 8% and 1%, respectively.

The Group generated a non-recurring net income of ₱100 million (versus P110 million loss in 1H2015) mainly from the Power unit's gain on step acquisition of East Asia Utilities Corporation (EAUC). Stripping out these one-off items, the Group's core net income for the period amounted to ₱10.40 billion, up 31% YoY.

BUSINESS SEGMENTS

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

Power

Aboitiz Power Corporation (AP) ended the period with an income contribution of ₱7.66 billion, a 24% increase from last year's ₱6.17 billion.

Power generation group's bottomline contribution to AEV increased by 27% to ₱6.24 billion from ₱4.93 billion last year. This was substantially attributed to the following: a.) fresh income contribution of Therma South, Inc. (TSI) which declared full commercial operations last February 2, 2016, and b.) increase in ancillary revenue for the SNAP Business Units which started the year at higher water elevations.

AP's attributable energy sold for the period in review grew by 21% YoY, from 5,709 gigawatthours (GWh) to 6,889 GWh, due to the 28% 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 93% of total power sold, and as a consequence, spot sales decreased by 31% YoY to 475 GWh.

On a capacity basis, attributable sales increased by 13% to 2,020 MW. This was attributed to the additional capacities from TSI and the higher available capacity from SNAPs.

Likewise, AP's distribution group's earnings contribution to AEV rose 3% from ₱1.33 billion to ₱1.37 billion. Driven by the growth in energy sales from Visayan Electric, Davao Light and SFELAPCO, attributable electricity sales rose by 7% to 2,512 GWh from 2,338 GWh last year. On the other hand, the group's gross margin per kWh declined to ₱1.50 from ₱1.57 last year. This was mainly due to Davao Light's under-recoveries as a result of a shift in supply mix.

Banking & Financial Services

Income contribution from this industry group grew 120%, from ₱867 million to ₱1.91 billion for the period in review.

Union Bank of the Philippines, Inc.'s (UBP) income contribution rose 123% from ₱866 million to ₱1.93 billion mainly due to higher net interest income posted during the period. Net interest income surged by 30% to ₱7.3 billion in view of higher interest income on loans, and trading and investment securities. Fee income likewise increased by 11% to ₱2.0 billion attributed to the growth in consumer-based asset businesses.

Food

Income contribution from Pilmico Foods Corporation (PILMICO) and its subsidiaries amounted to ₱885 million, remaining flat YoY. Improvement in Feeds Philippines' bottomline was attributed to strong sales volume and lower raw material costs. Despite depressed selling prices, Flour's net income was slightly higher due to increased volume and better by-product performance. On the other hand, Feeds Vietnam and Farms reported a drop in their earnings contributions. This was due to Feeds Vietnam's lower sales volume and selling prices, and Farms' significant drop in live hog prices which more than offset the rise in volume on account of sow level expansion.

Real Estate

Income contribution of AboitizLand amounted to ₱85 million, 60% down from last year's ₱213 million. This was mainly due to the decline in Lima Land's industrial lot sales which more than countered the growth in residential and commercial sales. The increase in OPEX spending to strengthen the organization and to support entry into the national real estate scene also contributed to the drop in net income.

Infrastructure

Newly-acquired infrastructure companies started contributing in mid-September 2015 and posted a combined income contribution of ₱869 million for 1H2016.

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

For the period ended June 30, 2016, consolidated net income allocable to the equity holders of AEV registered a 34% YoY increase, reaching ₱10.50 billion from ₱7.82 billion posted in the previous year.

Operating profit for the current period amounted to ₱13.66 billion, a 4% increase YoY, as the ₱1.88 billion increase in revenues surpassed the ₱1.32 billion rise in costs and expenses. This increase was mainly attributed to the performance of the Power Group.

Power subsidiaries reported a 6% YoY increase in operating profit from ₱11.73 billion to ₱12.49 billion mainly due to the growth in EBIT of the Therma Power subsidiaries attributed to the fresh EBIT contribution from TSI, despite lower average selling prices in Therma Luzon.

Share in net earnings of associates rose by 86% YoY (₱4.16 billion vs ₱2.24 billion in 1H2015) largely due to the growth in net income of UBP resulting from higher net interest income, fresh equity earnings contribution of infrastructure group, and higher ancillary revenue of SNAP-Magat.

The growth in equity earnings and other income, coupled with an increase in operating profit and lower income tax provision, more than offset the increase in net interest expense, and as a result, pulled up the Group's overall profitability. Net interest expense increased by ₱902 million YoY resulting from higher level of debt.

Other Income increased by 488% YoY (₱1.85 billion vs ₱314 million in 1H2015) mainly due to TSI's collection of insurance proceeds from settlement of liquidated damages, AP's gain on step acquisition of EAUC and lower foreign exchange losses.

Net income attributable to non-controlling interests increased to ₱3.05 billion from ₱2.50 billion in 1H2015, substantially due to the increase in AP's net income, 23% of which belongs to minority shareholders.

AEV's consolidated comprehensive income attributable to equity holders correspondingly increased by 127% from ₱7.30 billion in 1H2015 to ₱16.56 billion in 1H2016. The 34% increase in consolidated net income combined with 1270% surge in AEV's share of an associate's unrealized mark-to-market gains on its available-for-sale (AFS) investments, accounted for this growth.

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

Assets

Compared to year-end 2015 level, consolidated assets increased 10% to ₱374 billion as of June 30, 2016, due to the following:

a. Cash & Cash Equivalents increased by 14% (₱72.69 billion vs ₱63.58 billion as of December 31, 2015) as the funds generated from operations and debt raising exceeded the funds used in investment acquisitions, capital expenditures, cash dividend payment and repayment of maturing obligations.

b. Investments in and Advances to Associates increased by ₱8.58 billion (₱82.02 billion vs ₱73.43 billion as of December 31, 2015) mainly due to ₱587 million purchase of UBP shares, ₱489 million acquisition of San Carlos Sun Power, Inc. and Maaraw Holdings San Carlos, Inc. by AP, recording of ₱4.16 billion share in earnings of associates, and ₱6.14 billion share of a banking associate's fair valuation gain on its AFS investments during the current period. This increase was partially reduced by the ₱2.51 billion cash dividends received from associates, and ₱303 million de-equitized investment in EAUC.

c. Gross of depreciation expense, the resulting ₱16.26 billion combined growth in Property Plant and Equipment (PPE), Investment Properties (IP), and Land and Improvements (LI) was mainly due to the following: 1.) ₱13.63 billion on-going construction of AP's power plants, Aseagas Corporation's (Aseagas) biomass plant and Food Group's swine farms and plant facilities; 2.) ₱1.4 billion acquisition of AP generation and distribution assets; 3.) ₱771 million first-time consolidation of EAUC assets; and 4.) ₱332 million additional lot purchases by Real Property Group.

d. Trade and Other Receivables, inclusive of noncurrent portion, went up by 5% (₱20.10 billion vs ₱19.05 billion as of December 31, 2015) mainly due to the increase in advances to contractors attributed to the on-going plant construction and in AEV parent's trade receivables.

e. Inventories increased by 8% (₱8.60 billion vs ₱7.95 billion as of December 31, 2015) mainly due to the growth in fuel inventory of Power Group and inventory build-up of Food Group.

f. Other Current Assets increased by 9% (₱7.10 billion vs ₱6.49 billion in December 31, 2015) substantially due to Power Group's increase in prepaid insurance and Parent Companies' prepaid taxes.

g. Other Noncurrent Assets increased by 9% (₱11.34 billion vs ₱10.43 billion as of December 31, 2015) primarily due to the build-up of deferred input VAT by Power Group arising from the ongoing construction of its power plants.

The above increases were tempered by the 47% decrease in Derivative Assets (current and non-current) (₱301 million vs ₱563 million as of December 31, 2015). This was mainly due to unrealized mark-to-market losses recognized on outstanding hedging instruments during the current period.

Liabilities

Consolidated short-term bank loans increased by 8% (₱9.60 billion vs ₱8.88 billion as of December 31, 2015) mainly due to additional borrowing by Food Group to fund working capital requirements. This was partly offset by the loan repayments made by Real Estate and Power Groups. Likewise, long-term debt increased by 12% (₱170.89 billion vs ₱152.46 billion as of December 31, 2015) substantially due to the ₱12.5 billion new loan availment by APRI, ₱8.55 billion combined additional loan availment by Therma Visayas, Inc. (TVI), Pagbilao Energy Corporation (PEC), Therma South, Inc. (TSI) and Aseagas to finance ongoing plant construction, reduced by the ₱2.62 billion payment of maturing finance lease and loan amortizations.

Trade and other payables, inclusive of noncurrent portion, were higher by 20%, from ₱18.87 billion to ₱22.65 billion mainly due to the increase in payables to suppliers and contractors of certain power subsidiaries and a joint operation investee as a result of ongoing plant construction.

Income tax payable increased by 27% from ₱957 million to ₱1.22 billion due to recording of additional income tax liability of Power and Food Groups during the current period.

Pension liability, net of pension asset, increased by 10%, from ₱649 million to ₱725 million, mainly on account of additional retirement cost recorded by the Group during the current period.

Equity

Equity attributable to equity holders of the parent increased by 9% from year-end 2015 level of ₱118.22 billion to ₱129.20 billion, mainly due to the following: 1.) ₱4.62 billion increase in Retained Earnings resulting from the ₱10.50 billion net income recorded during the period, reduced by the ₱5.89 billion cash dividends paid, 2.) ₱6.15 billion increase in the Group's share of UBP's unrealized mark-to-market gain on its AFS investments, and 3.) ₱305 million sale of treasury shares.

MATERIAL CHANGES IN LIQUIDITY AND CASH RESERVES OF REGISTRANT

For the period ended June 2016, the Group continued to support its liquidity mainly from cash generated from operations, additional loans availed and dividends received from associates.

Compared to the cash inflow in 2015, consolidated cash generated from operating activities in 1H2016 decreased by ₱1.01 billion to ₱16.68 billion as the growth in earnings before interest, depreciation and amortization (EBIDA) recorded by subsidiaries during the current period was reduced by the increase in receivables. In the same period last year, the rise in EBIDA was complemented by the decrease or collection of receivables.

The current period ended up with ₱13.56 billion net cash used in investing activities versus ₱9.51 billion last year. This was mainly due to higher cash spent on PPE and LI acquisitions and additional investments in associates. This increase in cash usage was partly offset by the collection of cash dividends from associates.

Net cash from financing activities was ₱6.03 billion versus ₱5.76 billion used in 1H2015. This was largely attributed to the Group's higher level of long-term loan availments during the current period.

For the period in review, net cash inflows surpassed cash outflows, resulting in a 14% increase in cash and cash equivalents from ₱63.58 billion as of year-end 2015 to ₱72.69 billion as of June 30, 2016.

FINANCIAL RATIOS

Backed by strong operating cash inflows, liquidity was adequately preserved. Current ratio stood at 2.76x from 2.84x at the start of the year, since current liabilities grew stronger than current assets. Debt-to-equity ratio climbed to 1.38:1 (versus year-end 2015's 1.31:1). This was mainly due to the growth in total liabilities which outpaced the increase in equity.

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

The strong growth of the Philippine gross domestic product (GDP) will be driven by a number of factors, among which are the increasing appetite for public and private investments in the infrastructure sector, the roll-out of the government's PPP Program, the expenditures related to the May 2016 presidential elections, and the increasing and sustained growth of the business process outsourcing and overseas Filipino workers' sectors. The low interest rate environment also promotes cheaper project financing and improves overall returns in the country. These will provide AEV and its Business Units' opportunities to sustain growth over the long-term. The Company does not expect a significant change in government policy in the aftermath of the May 2016 presidential elections that may adversely affect any of its core businesses. High hopes on promising growth prospects for the year led AEV to allocate ₱58.4 billion in capital expenditure (capex) in 2016, the bulk of which will be used for its power expansion projects.

Power

AboitizPower is well-positioned to take advantage of opportunities arising from developments in the power industry. Its sound financial condition will give it the agility to create or acquire additional generating capacity over the next few years, as energy demand grows. However, the expiration of

the income tax holidays (ITH) of several plants is expected to have some impact on earnings moving forward.

I. Generation Business

1. Expiration of Income Tax Holiday

Several of the AboitizPower's plants were eligible for an ITH during 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.

APRI obtained an ITH from the Board of Investments (BOI) on June 19, 2009. The ITH for APRI expired last June 19, 2016.

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.

AboitizPower, together with its Subsidiaries and Associates, is in various stages of construction of its Greenfield and Brownfield projects.

420-MW Pulverized Coal-Fired Expansion Unit 3 in Pagbilao, Quezon. This project is undertaken by PEC, a partnership between AboitizPower's subsidiary, Therma Power, and TeaM (Philippines) Energy Corporation (TEPEC). Last April 25, 2014, the EPC contract was awarded to a contractor consortium comprised of Mitsubishi Hitachi Power Systems Ltd, Daelim Industrial Co, Ltd, DESCO, Inc. and Daelim Philippines, Inc. The plant construction commenced last September 2014 and the target commercial operation is planned for year-end 2017.

340-MW CFB Coal-Fired Project in Toledo City, Cebu. This project is undertaken by TVI, a partnership between AboitizPower and Vivant. The project involves the construction of a 2 x 170-MW coal-fired power plant. The EPC contract was awarded to Hyundai Engineering Co. Ltd. (HEC). The NTP for all EPC activities was issued on March 18, 2015. Turnover of the first unit is targeted for the first half of 2018, with the second following three months thereafter.

68.8-MW Manolo Fortich Hydropower Plant in Bukidnon. This project is undertaken by Hedcor Bukidnon and involves the construction of the 43.4-MW Manolo Fortich 1 and 25.4-MW Manolo Fortich 2 run-of-river hydropower plants. The project broke ground in April 2015 and the target commercial operation is in the third quarter of 2017.

8.5-MW Maris Canal Hydropower Plant Project in Ramon Isabela. This project is undertaken by SNAP-Magat and involves the construction of an 8.5 MW run-of-river hydropower plant. The project, which broke ground in late 2015, is targeted to be completed by late-2017.

Maris Optimization in Ramon Isabela. This project involves the installation of an additional layer of stoplogs on the Maris Re-regulating Dam, which will add some eight million cubic meters of storage in Maris Reservoir. The additional storage will improve dam operational safety and irrigation water delivery for the NIA. This broke ground last November 2014. The Maris Reservoir Optimization Project was completed on March 22, 2016 and is scheduled for turnover to NIA in May.

Other Greenfield and Brownfield Developments.

600-MW (net) Coal-Fired Power Plant in Subic. This project is undertaken by Redondo Peninsula Energy, Inc. (RP Energy), a joint venture among Meralco PowerGen Corporation (MPGC), Therma Power, and Taiwan Cogeneration International Corporation (TCIC). The project involves the construction and operation of a 2 x 300 MW (net) circulating-fluidized-bed (CFB) coal-fired power plant. Full development and implementation of the project is ongoing with expected commercial operation of the power plant starting 2020.

390-MW Alimit Hydropower Complex in Ifugao. This project is undertaken by SN Aboitiz Power-Ifugao, Inc. and involves the construction of the 120-MW Alimit hydropower plant, 250-MW Alimit pumped storage facility, and the 20-MW Olilicon hydropower plant. It is currently in the permitting stage.

110-MW Geothermal in Indonesia. AboitizPower entered into an agreement with PT Medco Power Indonesia to participate in the exploration and development of a potential 2x55 MW greenfield geothermal plant in East Java Province, Indonesia. Slim-hole drilling is currently being conducted. Results from this slim-hole drilling are expected by mid-year.

Hydro in Indonesia. AboitizPower entered into an agreement with SN Power AS and PT Energi Infranusantara to participate in the feasibility studies for the exploration and development of a potential 127 MW hydropower generation project along the Lariang River in Central Sulawesi, Indonesia. The project company, PT Auriga Energi, was awarded the basic license to develop the project. It is and is currently conducting pre-feasibility studies.

Hydro in the Philippines. Hedcor, Inc. (Hedcor) continually explores hydropower potentials located in Luzon and Mindanao. Based on exploration, Hedcor sees the potential of building plants with capacities ranging from 20 MW to 70 MW. When the projects pass the evaluation stage and once permits are secured, the construction period for the hydropower plant facilities will commence.

Geothermal in the Philippines. AboitizPower is also exploring new geothermal resources. Currently, pre-development works are ongoing in several areas namely, Negron-Cuadrado located in Central Luzon and Sibulan-Kapatagan located in Mindanao. Both the Negron-Cuadrado and Sibulan-Kapatagan 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 Independent Power Producer Administrator (IPPA) contracts, which involves the transfer of the

management and control of total energy output of power plants under contract with National Power Corporation (NPC) to the IPP administrators.

II. Distribution Business

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

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

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

In April 2016, the ERC posted on its website the following documents: (1) Draft Rules for Setting Distribution Wheeling Rates or "RDWR" for Privately Owned Distribution Utilities Operating under Performance Based Regulation, First Entry Group, Fourth Regulatory Period; (2) Draft Position Paper: Regulatory Reset for the July 1, 2015 to June 30, 2019, Fourth Regulatory Period for the First Entry Group of Privately-Owned Distribution Utilities Subject to Performance Based Regulation; and (3) Draft Commission Resolution on the Issues on the Implementation of PBR for Privately Owned DUs under the RDWR. Comments on the said draft documents were submitted to the ERC on May 13, 2016.

On July 12, 2016, the ERC wrote a letter to Private Electric Power Operators Association, Inc. requesting all privately-owned distribution utilities to submit on or before August 31, 2016 asset value information and various utility statistics as of December 31, 2015. The ERC is targeting the issuance of the draft Regulatory Asset Base Handbook by October 2016 and of the final version by December 2016.

III. Market and Industry Developments

1. Retail Competition and Open Access (Open Access)

The implementation of Open Access starting June 26, 2013 enabled AboitizPower to increase its contracted capacity through the delivery of power to affiliate and non-affiliate retail electricity supplier (RES) companies. AboitizPower has two wholly owned Subsidiaries, Aboitiz Energy Solutions, Inc. (AESI) and Adventenergy, Inc. (AdventEnergy), which are licensed RES.

In 2015, the DOE released Circular No. 2015-06-0010 with the following pertinent provisions:

- All Contestable Customers (CCs) with an average demand of 1 MW and above, which are currently being served by their franchised DUs, are mandated to secure their respective Retail Supply Contracts (RSCs) no later than June 25, 2016 with any licensed

RES. After which, the CC and its counterparty shall submit to the DOE and ERC their signed RSC for assessment, monitoring, policy and rule-making purposes.

- All CCs with an average demand ranging from 750 kW and 999 kW for the preceding 12-month period are mandated to secure their RSCs with a RES no later than June 25, 2016. Effective June 26, 2016, Aggregators shall be allowed to compete with RES, generation company, and prospective generation company.

- Lowering Contestability Threshold Below 750 kW. All electricity end-users with an average demand ranging from 501 kW to below 750 kW for the preceding 12 months may be allowed to choose their respective RES effective June 26, 2018.

The lowering of the contestability threshold will open a new market, hence, an opportunity to expand and diversify AboitizPower's customer base.

In 2016, the ERC promulgated Resolution No. 5, Series of 2016 entitled "A Resolution Adopting the 2016 Rules Governing the Issuance of Licenses to Retail Electricity Suppliers (RES) and Prescribing the Requirements and Conditions Therefor", with the following pertinent provisions:

- Generation Company or affiliate, Distribution Utility (DU) affiliate (with restrictions on market share and conduct of business activity), Retail Aggregators and IPPAs are allowed entities to become RES.
- There is a stipulation that ERC will not be precluded from imposing additional restrictions on the current issuance, separate guidelines issued or any future issuance.
- Resolution No. 22 shall continue to have full force and effect except as insofar that it is inconsistent with Resolution No. 5, Series of 2016.
- Resolution No. 5, Series of 2016 enumerates the qualifications for becoming a RES, including financial standards, B2B system, ability & knowledge, and treatment of cash deposits.
- It also enumerates the obligations of RES entities, including reportorial requirements, website, unbundling, compliance with qualifications stated above and other pertinent rules, laws, and compliance with limitation requirements.
- It also contains the process of obtaining a RES license, including the fee, and other reportorial requirements by ERC.

ERC further issued Resolution No. 10, Series of 2016 is entitled "A Resolution Adopting the Revised Rules for Contestability". It generally discusses the mandatory contestability dates, further limitations on contract terms and other provisions found in DC2015-06-0010. Among the pertinent provisions of this Resolution are the following:

- Setting of Threshold Reduction Date for end-user with at least 750 kW demand on June 26, 2016;
- Lowering of threshold to 500 kW and start of retail aggregation on June 26, 2018;
- Start of the mandatory contestability for end-users:
  - with at least 1 MW average monthly peak demand on December 26, 2016;
  - with at least 750 kW average monthly peak demand on June 26, 2017;
- Issuance of provisional RES license for Prospective Gencos, with guidelines;
- Options for DUs with Displaced Contract Capacities with Generators due to migration of Contestable Customers as follows:

- Renegotiate contracts;
- Auction off contracted capacities;
- Declare in WESM as capacities for sale;

- Eligibility of end-users to be part of the contestable market;
- Limitation of Retail Supply Contract term from 1 billing period to 2 years only.

Another resolution issued by the ERC is Resolution No. 11, Series of 2016 entitled "*A Resolution Imposing Restrictions on the Operations of Distribution Utilities and Retail Electricity Suppliers in the Competitive Retail Electricity Market*". From the title itself, the Resolution contains restrictions on RES entities, as follows:

- Prohibition of Local RES, in which DUs can only supply to end-users in the Contestable Market as Supplier of Last Resort (SOLR) and Local RES to wind down business within 3 years;
- Market cap of each RES to supply no more than 30% of the total average monthly peak demand of all contestable customers in the Competitive Retail Electricity Market;
- Prohibition of RES to transact not more than 50% of the total energy transactions of its Supply business with its affiliate Contestable Customers; and
- Repeal of Resolution No. 22, Series of 2013.

DC 2015-06-0010, Resolution Nos. 5, 10 and 11, Series of 2016 are all subject of a case for Declaratory Relief with the Pasig RTC filed by Meralco. On July 13, 2016, the Pasig RTC has issued a preliminary injunction enjoining DOE from implementing its Circular and ERC from implementing Resolutions, insofar as they prohibit DUs from engaging in supply business, impose restrictions, contract term limits, mandatory contestability and market caps.

2. Possibility of Mindanao Wholesale Electricity Spot Market (WESM)

The DOE is studying the possibility of establishing a WESM in Mindanao once the Mindanao grid achieves power sufficiency. With the commissioning of the new base load power plants on the first half of 2016, Mindanao grid is expected to have more than enough power supply.

3. Reserve Market

The DOE issued Department Circular No. DC2013-12-0027, "Declaring the Commercial Launch for the Trading of Ancillary Service in Luzon and Visayas under the Philippine Wholesale Electricity Spot Market" dated December 2, 2013. The said Department Circular sets the responsibility of the Philippine Electricity Market Corporation (PEMC), National Grid Corporation of the Philippines (NGCP), National Electrification Administration (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 No. 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.

Since ERC has yet to issue the approval for the Price Determination Methodology of the Reserve Market, the DOE and PEMC implemented the Central Dispatch and Scheduling of Energy and Reserves in the WESM starting January 2016. The protocol follows that of the Reserve Market, however, participants will only be those contracted with NGCP and that no settlement amount will come from WESM.

AboitizPower, through SNAP-Benguet, SNAP-Magat, and Therma Luzon, is well-positioned to take advantage of this opportunity.

4. Feed-in-tariff (FIT) scheme

The Renewable Energy Act of 2008 (RE Law) was signed into law by former President Gloria Macapagal-Arroyo on December 16, 2008 and became effective in January 2009. The RE Law offered fiscal and non-fiscal incentives to RE developers, including the feed-in-tariff scheme which gives preferential rates.

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

	FIT Rate (₱/kWh)	Degression Rate
Wind	8.53 and 7.40**	0.5% after year 2 from effectivity of FIT
Biomass	6.63	0.5% after year 2 from effectivity of FIT
Solar	9.68 and 8.69*	6% after year 1 from effectivity of FIT
Hydro	5.90	0.5% after year 2 from effectivity of FIT

**New solar FIT rate as per ERC Case No. 2014-004RM, as necessitated by the new installation target for Solar Energy Generation set by the Department of Energy (DOE).*
***New wind FIT rate as per ERC Case No. 2015-002RM, as necessitated by the new installation target for Solar Energy Generation set by the Department of Energy (DOE).*

On July 23, 2012, the ERC promulgated ERC Resolution No. 10, Series of 2012, with approved solar FIT rate of ₱9.68/kWh and installation target of 50 MW. After the DOE increased the installation target of solar to 500 MW, a new FIT rate of ₱8.69/kWh was approved by the ERC to apply after the earlier of full subscription of the revised solar installation target of 500 MW or March 15, 2016. For the Solar Plants that have been commissioned prior to the effectivity of the ERC (up to 50 MW) decision, the original Solar FIT of ₱9.68/kWh shall apply.

For wind, DOE endorsed the increase of wind installation target from 200 MW to 400 MW.

The ERC approved in February 2016 the new FIT-All rate for 2016 at ₱0.1240/kWh. The ERC used, in the interim, the existing unadjusted FIT rates so as not to pre-empt whatever decision the ERC may make on the adjustment of the FITs. The rate is effective in the

succeeding billing period following the receipt by TRANSCO of the Order, which was on April 2016.

5. Competitive Selection Process in securing Power Supply Agreements

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

- Increase the transparency needed in the procurement process in order to reduce risks;
- Promote and instill competition in the procurement and supply of electric power to all electricity end-users;
- Ascertain least-cost outcomes that are unlikely to be challenged in the future as the political and institutional scenarios should change; and
- Protect the interest of the general public.

This Circular shall apply to any entity that owns, operates, or controls one or more distribution systems in the main grid and off-grid areas, such as but not limited to:

- Electric Cooperatives (ECs);
- Private Investor-Owned Distribution Utilities (PIOUs);
- Local Government Unit Owned-and-Operated Distribution Systems/Utility (LGUOUs);
- Multi-Purpose Cooperatives duly authorized by appropriate Government agencies to operate electric power system;
- Entities duly authorized to operate within economic zones; and
- Other duly authorized entities engaged in the distribution of electricity.

The ERC issued Resolution No. 13, Series of 2015, entitled "A Resolution Directing All Distribution Utilities to Conduct a Competitive Selection Process in the Procurement of Their Supply in the Captive Market," on November 4, 2015. The pertinent provisions are as follows:

- DU may adopt any accepted form of CSP pending the issuance by ERC of prescribed CSP as per DOE Circular;
- Minimum terms were identified by ERC;
- A CSP is considered successful if the DU received at least two qualified bids from entities which the DU is not prohibited from entering into a contract for power supply; and
- For two unsuccessful CSPs, the DU is allowed to enter into direct negotiations.

This development will increase transparency and competition. This is prospective, hence, will not affect AboitizPower's existing contracts.

6. Maintaining the Share of RE in the Installed Capacity

The DOE released Department Circular No. DC2015-07-0014, entitled "Prescribing the Policy for Maintaining the Share of Renewable Energy (RE) Resources in the Country's Installed Capacity Through the Wholistic Implementation of the Pertinent Provisions of Republic Act No. 9513 or the RE Act on Feed-In Tariff (FIT) System, Priority and Must Dispatch, Among Others," in August 2015. The pertinent provisions are as follows:

- In order to maintain the share of RE in power generation, the DOE had set a policy of adopting at least 30% share of RE in the country's total power generation capacity through the wholistic implementation of the FIT system and other pertinent provisions under the RE Act and RE IRR;
- The succeeding rounds for the installation targets for FIT-eligible resources shall be made through an auction system to be adopted by the DOE upon the full subscription of the existing FIT installation targets; and
- Compliance with the provisions stated in the Circular shall be deemed compliance with the RPS.

AboitizPower's current net sellable capacity mix is roughly 60% thermal and 40% renewable. Even with all the new capacity additions, AboitizPower will remain within the said capacity mix. Additionally, the above mentioned auction system has not yet been adopted.

IV. Capital Expenditure 2016

AboitizPower is allotting ₱52 billion in capital expenditure this year, of which 62% is for new thermal projects, 17% for new renewable projects and 21% for exploratory and operating activities. As of June 30, 2016, beneficial capex spent amounted to ₱13.4 billion with the bulk spent on Cebu Coal, Pagbilao 3 and Manolo Fortich projects.

Banking & Financial Services

<u>Union Bank of the Philippines, Inc. (UnionBank)</u>

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

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

UnionBank will continue to enhance operating efficiencies through cost containment efforts and improvements in its business processes and systems to align with international standards and best practices, and increase in manpower productivity with the help of functional and developmental trainings as well as appropriate matching of job, skills and capabilities. More importantly and consistent with the digital banking thrust, UnionBank aims to establish a digital back-office which allows straight through processing real time and 24/7 delivery of financial products and services.

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

CitySavings, the subsidiary thrift bank of UnionBank, will continue with its unique focus as the preferred Teachers' Bank in the Philippines, particularly 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 attained technological and financial capabilities will catapult both to greater heights towards elevating the lives of its stakeholders and the communities it serves.

UnionBank has allocated ₱871 million as capex to upgrade its digital banking infrastructure and to expand its branch network.

PETNET, Inc. (PETNET)

As a Western Union agent with significant expansion plans, PETNET is expected to grow much faster than the industry average. While a stricter regulatory framework is likely to slow remittance growth in 2016, Western Union is one of the few companies that is expected to benefit from it, given its substantial investment in compliance in the last five years.

PETNET's full-blown execution of the loan origination program on behalf of CitySavings is a top priority for 2016. In line with this, last May 19, PETNET officially announced to its business partners and key stakeholders its new brand name, PERA HUB. The brand reboot is a welcome change to effectively communicate the company's expanded services, as well as its being part of the Aboitiz Group. PETNET's new brand name, PERA HUB, signifies its competitive selling proposition of being a cash and payment-related transactions center. A new name ushers PETNET's growth from offering Western Union services to being a money changing, bills payment, mobile loading, loans application and micro-insurance center.

Being part of the Aboitiz Group adds equity that allows PETNET to significantly expand its branch network. PETNET's existing and soon-to-open branches will be utilized to provide greater access and convenience for UnionBank and CitySavings customers. Public school teachers should be able to walk into any PETNET location and process a loan in half an hour. This arrangement is a triple win for the customer, the bank, and PETNET.

PETNET has earmarked ₱97 million for its branch network expansion, and full-blown execution of the loan origination program on behalf of CitySavings.

Food

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.

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

Pilmico's strategies will continue to be its compass as it works toward building a purpose-driven, fully-integrated food company with an expanded customer reach in the ASEAN.

Its main challenge is balancing the competing demands of existing core businesses while building new ones. This means growing and protecting both its market and margins.

Pilmico has several projects in the pipeline to continue to grow and diversify its business in the country. For Feeds Philippines, it will operationalize its new feeds production capacities in Iligan and Tarlac as well as offer additional feed products and related services.

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 operationalize its new layers farm with monthly output of four million eggs.

Pilmico has begun exporting its flour products in the ASEAN region, build a Pilmico Research & Training Bakery in Visayas and Mindanao as well as explore the commissary business. These are in line with Pilmico's aim of strengthening its Flour business in its battle for market share against cheaper imported flour.

Internationally, Pilmico VHF will operationalize new aqua feed mill in Vietnam and look into exporting its aqua feeds in ASEAN. Moreover, the company will also actively pursue other opportunities in the region through mergers and acquisition.

Pilmico has allocated ₱2.3 billion capex for the year in support of various initiatives for its flour, feeds, and farms divisions, as well as pursuing opportunities in the region.

Land

As the Philippine economy remains robust, AboitizLand will ramp up its expansion by developing and launching several projects nationwide. Total investment is estimated at ₱5 billion.

Multiple residential developments, retail and office spaces in strategic growth areas in the Philippines are in the pipeline.

In 2016 alone, Luzon will see the launch of two (2) residential projects, the construction of new retail spaces, and the continued expansion of Lima Land, AboitizLand's industrial park in Batangas.

At the same time, AboitizLand fortifies its foothold in Cebu, as it launches two (2) new residential projects, and launch the first residential tower in Gatewalk Central.

To sustain national growth, AboitizLand shall be deploying more resources for aggressive land acquisition, and build the organization to support its targets.

Infrastructure

AEV foresees considerable public and private investments going into the sector over the next 10-15 years and intends to play an active role in 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.

Republic Cement and Building Materials, Inc. (RCBM)

RCBM experienced robust cement sales in the first half of the year as private construction expenditure, government spending, and investment in public works continued to increase. AEV expects solid demand to continue for the remainder of 2016 driven by the strong growth in private sector spending on high rise and residential housing, and the government's increasing infrastructure spend.

RCBM continued to meet growing cement demand throughout the county with operational excellence programs within the plants and supply chain optimization initiatives within its core markets. The company remains committed to provide the widest range of high-quality Republic Cement products to address the specific needs of its end users.

Apo Agua Infrastructura, Inc. (Apo Agua)

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

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

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

Apo Agua secured the project endorsement and approval from the Council Members of the Davao City Government last March 1, 2016. Target construction start date is expected by 1st quarter of 2017, once all the necessary permits and funding are secured.

PPP Projects of Interest

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

   AEV was pre-qualified on February 16, 2015 by the Department of Transportation and Communication (DOTC) for the bidding of the operation and maintenance of the existing LRT Line 2 (LRT2) system, together with other future extensions implemented by the Government during the project's term.

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

   SMRT International Pte. Ltd. is a wholly-owned subsidiary of SMRT Corporation Ltd. (SMRT), a

multi-modal transport service provider in Singapore offering rail, bus and taxi services. SMRT is the largest rail operator in Singapore, operating three of the five metro lines and a light rail system.

The bid submission has been postponed by the DOTC until further notice.

2. **Bidding for the operations, maintenance and expansion of the Bacolod-Silay, Iloilo, Davao, Laguindingan and New Bohol Airports**

   AEV was pre-qualified on September 18, 2015 by the DOTC for the bidding of the operation, maintenance and expansion of five regional airports (Davao, Laguindingan, New Bohol, Iloilo, and Bacolod). AEV is participating in the bidding through a consortium referred to as the Maya Consortium, in partnership with VINCI Airports.

   VINCI Airports manages and operates 33 airports in six different countries: France, Portugal, Cambodia, Chile and, from first-half 2016, Japan and Dominican Republic.

   The bid submission has been postponed by the DOTC until further notice.

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	AUG 15 2016
Principal Accounting Officer	**M. Jasmine S. Oporto**
Signature and Title	**Senior Vice President - Chief Compliance Officer / Corporate Secretary** per
Date	AUG 15 2016

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

(Amounts in thousands)

	June 30, 2016 Unaudited	December 31, 2015 Audited
ASSETS		
Current Assets		
Cash and cash equivalents	**72,693,557**	63,581,884
Trade and other receivables	**20,031,469**	18,828,936
Inventories	**8,597,991**	7,945,304
Derivative assets	**92,192**	185,283
Other current assets	**7,102,984**	6,492,012
Total Current Assets	**108,518,193**	97,033,419
Noncurrent Assets		
Trade receivables - net of current portion	**66,517**	224,395
Investments and advances	**82,016,710**	73,435,061
Property, plant and equipment	**157,233,691**	143,997,702
Land and improvements	**3,293,082**	2,960,646
Investment properties	**4,712,013**	5,183,780
Intangible asset - service concession rights	**3,152,944**	3,226,536
Available-for-sale (AFS) investments	**369,170**	367,716
Net pension assets	**100,574**	106,621
Derivative asset - net of current portion	**208,987**	378,083
Deferred income tax assets	**721,852**	699,549
Goodwill	**2,073,971**	2,073,972
Other noncurrent assets	**11,334,266**	10,430,384
Total Noncurrent Assets	**265,283,777**	243,084,444
TOTAL ASSETS	**373,801,970**	340,117,863
LIABILITIES AND EQUITY		
Current Liabilities		
Bank loans	**9,602,226**	8,883,056
Current portions of:		
Long-term debts	**3,531,279**	3,133,346
Long-term obligation on Power Distribution System (PDS)	**40,000**	40,000
Obligations under finance lease	**2,583,754**	2,583,754
Trade and other payables	**22,345,524**	18,565,557
Income tax payable	**1,216,754**	957,497
Derivative liabilities	**17,811**	-
Total Current Liabilities	**39,337,348**	34,163,210
Noncurrent Liabilities		
Noncurrent portions of:		
Obligations under finance lease	**49,720,094**	51,085,100
Long-term debts	**114,792,773**	95,414,386
Long-term obligation on PDS	**222,216**	207,184
Trade and other payables	**305,492**	302,202
Customers' deposits	**6,739,936**	6,581,459
Asset retirement obligation	**3,064,851**	3,016,528
Deferred income tax liabilities	**1,626,366**	1,607,906
Net pension liability	**813,747**	755,446
Total Noncurrent Liabilities	**177,285,475**	158,970,210
Total Liabilities	**216,622,823**	193,133,421
Equity Attributable to Equity Holders of the Parent		
Capital stock	**5,694,600**	5,694,600
Additional paid-in capital	**7,959,753**	7,683,568
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	**(1,577,073)**	(1,577,073)
Other components of equity:		
Net unrealized mark-to-market gains on AFS investments	**18,819**	14,188
Cumulative translation adjustments	**91,629**	176,379
Actuarial losses on defined benefit plans	**(788,471)**	(795,967)
Share in actuarial losses on defined benefit plans of associates	**(354,193)**	(334,456)
Share in cumulative translation adjustments of associates	**(191,013)**	(193,921)
Share in net unrealized mark-to-market gains (losses) on AFS investments of an associate	**2,396,130**	(3,748,731)
Retained earnings		
Appropriated	**2,717,000**	-
Unappropriated	**108,421,504**	106,521,243
Treasury stock at cost	**(1,037,149)**	(1,065,585)
	129,197,253	118,219,960
Non-controlling Interests	**27,981,894**	28,764,482
Total Equity	**157,179,147**	146,984,442
TOTAL LIABILITIES AND EQUITY	**373,801,970**	340,117,863

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME

For the six months ended June 30, 2016 and June 30, 2015

(Amounts in thousands, except earnings per share amounts)

(Unaudited)

	For the six months ended June 30		For the quarter ended June 30	
	2016	**2015**	**2016**	**2015**
OPERATING REVENUES	**56,955,752**	55,071,339	**29,219,333**	28,042,196
OPERATING EXPENSES	**43,293,319**	41,971,617	**22,560,670**	21,797,962
FINANCIAL INCOME (EXPENSES)				
Interest income	**729,905**	502,020	**387,799**	224,551
Interest expense	**(4,576,001)**	(3,445,633)	**(2,012,733)**	(1,512,165)
	(3,846,096)	(2,943,613)	**(1,624,934)**	(1,287,614)
OTHER INCOME - NET				
Share in net earnings of associates	**4,161,962**	2,242,038	**2,160,922**	1,132,720
Other income - net	**1,848,982**	314,276	**924,057**	9,658
	6,010,944	2,556,314	**3,084,979**	1,142,378
INCOME BEFORE INCOME TAX	**15,827,281**	12,712,423	**8,118,708**	6,098,998
PROVISION FOR INCOME TAX	**2,270,943**	2,386,249	**1,112,232**	1,153,877
NET INCOME	**13,556,338**	10,326,174	**7,006,476**	4,945,121
ATTRIBUTABLE TO:				
Equity holders of the parent	**10,504,784**	7,821,288	**5,455,540**	3,735,474
Non-controlling interests	**3,051,554**	2,504,886	**1,550,937**	1,209,646
	13,556,338	10,326,174	**7,006,477**	4,945,120
EARNINGS PER COMMON SHARE				
Basic and diluted, for income for the year attributable to ordinary equity holders of the parent	**1.890**	1.409	**0.981**	0.672

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in thousands)

(Unaudited)

	For the six months ended June 30		For the quarter ended June 30	
	2016	**2015**	**2016**	**2015**
NET INCOME ATTRIBUTABLE TO:				
Equity holders of the parent	**10,504,784**	7,821,288	**5,455,540**	3,735,474
Non-controlling interests	**3,051,554**	2,504,886	**1,550,937**	1,209,646
	13,556,338	10,326,174	**7,006,477**	4,945,120
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that may be reclassified to consolidated statements of income:				
Share in movement in net unrealized mark-to-market gains (losses) on AFS investments of an associate	**6,144,861**	(525,138)	**3,041,384**	(1,048,380)
Net unrealized mark-to-market gains on AFS investments	**4,631**	14,715	**3,224**	13,258
Share in movement in cumulative translation adjustments of associates	**3,783**	(8,206)	**(35,796)**	897
Movement in cumulative translation adjustments	**(108,241)**	11,747	**17,153**	41,172
	6,045,034	(506,882)	**3,025,965**	(993,053)
Items that will not be reclassified to consolidated statements of income:				
Movement in actuarial gains (losses) on defined benefit plans	**7,497**	7,100	**(1,072)**	(12)
Share in movement in actuarial losses on defined benefit plans of associates	**(20,793)**	(4,845)	**(5,008)**	(4,728)
	(13,296)	2,255	**(6,080)**	(4,740)
TOTAL COMPREHENSIVE INCOME	**19,588,076**	9,821,547	**10,026,362**	3,947,327
ATTRIBUTABLE TO:				
Equity holders of the parent	**16,560,194**	7,298,334	**8,480,993**	2,712,542
Non-controlling interests	**3,027,882**	2,523,213	**1,545,369**	1,234,785
	19,588,076	9,821,547	**10,026,362**	3,947,327

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE PERIODS ENDED JUNE 30, 2016, DECEMBER 31, 2015 AND JUNE 30, 2015

	Attributable to owners of the parent																
	Capital Stock Common	Additional Paid-in Capital	Gain on Dilution	Excess of Book Value over Acquisition Cost of an Acquired Subsidiary	Acquisition of Non-controlling Interests	Net Unrealized Mark-to-market Gains on AFS Investments	Cumulative Translation Adjustments	Actuarial Gains (Losses) on Defined Benefit Plans	Share in Actuarial Losses on Defined Benefit Plans of Associates	Share in Cumulative Translation Adjustments of Associates	Share in Net Unrealized Mark-to-market Gains (Losses) on AFS Investments & Underwriting Accounts of an Associate	Retained Earnings Appropriated	Retained Earnings Unappropriated	Treasury Stock	Total	Non-controlling Interests	Total
Balances at January 1, 2016	5,694,600	7,683,568	5,376,176	469,540	(1,577,073)	14,188	176,379	(795,967)	(334,456)	(193,921)	(3,748,731)	-	106,521,243	(1,065,585)	118,219,960	28,764,482	146,984,442
Net income for the period	-	-	-	-	-	-	-	-	-	-	-	-	10,504,784	-	10,504,784	3,051,554	13,556,338
Other comprehensive income																	
Movement of net unrealized mark-to-market gains on AFS investments	-	-	-	-	-	4,631	-	-	-	-	-	-	-	-	4,631	-	4,631
Movement in cumulative translation adjustments	-	-	-	-	-	-	(84,750)	-	-	-	-	-	-	-	(84,750)	(23,491)	(108,241)
Actuarial gains on defined benefit plans, net of tax	-	-	-	-	-	-	-	7,497	-	-	-	-	-	-	7,497	-	7,497
Share in movement in actuarial losses on defined benefit plan of associates	-	-	-	-	-	-	-	-	(19,737)	-	-	-	-	-	(19,737)	(1,056)	(20,793)
Share in cumulative translation adjustment of associates	-	-	-	-	-	-	-	-	-	2,908	-	-	-	-	2,908	875	3,783
Share in movement in unrealized mark-to-market gains on AFS investments of an associate	-	-	-	-	-	-	-	-	-	-	6,144,861	-	-	-	6,144,861	-	6,144,861
Total comprehensive income (loss) for the year	-	-	-	-	-	4,631	(84,750)	7,497	(19,737)	2,908	6,144,861	-	10,504,784	-	16,560,194	3,027,882	19,588,076
Appropriation during the year	-	-	-	-	-	-	-	-	-	-	-	2,717,000	(2,717,000)	-	-	-	-
Cash dividends - P1.06 per share	-	-	-	-	-	-	-	-	-	-	-	-	(5,887,523)	-	(5,887,523)	-	(5,887,523)
Cash dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-		-	-	(3,775,299)	(3,775,299)
Sale of treasury shares	-	276,185	-	-	-	-	-	-	-	-	-	-		28,436	304,621	-	304,621
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-		-	-	(35,170)	(35,170)
Balances at June 30, 2016	5,694,600	7,959,753	5,376,176	469,540	(1,577,073)	18,819	91,629	(788,470)	(354,193)	(191,013)	2,396,130	2,717,000	108,421,504	(1,037,149)	129,197,253	27,981,894	157,179,147

	Attributable to owners of the parent																
	Capital Stock Common	Additional Paid-in Capital	Gain on Dilution	Excess of Book Value over Acquisition Cost of an Acquired Subsidiary	Acquisition of Non-controlling Interests	Net Unrealized Mark-to-market Gains on AFS Investments	Cumulative Translation Adjustments	Actuarial Gains (Losses) on Defined Benefit Plans	Share in Actuarial Losses on Defined Benefit Plans of Associates	Share in Cumulative Translation Adjustments of Associates	Share in Net Unrealized Mark-to-market losses on AFS Investments & Underwriting Accounts of an Associate	Retained Earnings Appropriated	Retained Earnings Unappropriated	Treasury Stock	Total	Non-controlling Interests	Total
Balances at January 1, 2015	5,694,600	6,911,044	5,376,176	469,540	(1,577,073)	14,626	35,534	(708,448)	(315,445)	(277,293)	(1,496,306)	-	94,995,596	(1,178,397)	107,944,154	26,990,809	134,934,964
Net income for the period	-	-	-	-	-	-	-	-	-	-	-	-	7,821,288	-	7,821,288	2,504,886	10,326,174
Other comprehensive income																	
Movement of net unrealized mark-to-market gains on AFS investments	-	-	-	-	-	1,034	-	-	-	-	-	-	-	-	1,034	13,680	14,714
Movement in cumulative translation adjustments	-	-	-	-	-	-	8,502	-	-	-	-	-	-	-	8,502	3,246	11,748
Actuarial gains on defined benefit plans, net of tax	-	-	-	-	-	-	-	7,100	-	-	-	-	-	-	7,100	-	7,100
Share in movement in actuarial losses on defined benefit plan of associates	-	-	-	-	-	-	-	-	(4,845)	-	-	-	-	-	(4,845)	-	(4,845)
Share in cumulative translation adjustment of associates	-	-	-	-	-	-	-	-	-	(8,206)	-	-	-	-	(8,206)	-	(8,206)
Share in movement in unrealized mark-to-market losses on AFS investments of an associate	-	-	-	-	-	-	-	-	-	-	(526,539)	-	-	-	(526,539)	1,401	(525,138)
Total comprehensive income (loss) for the year	-	-	-	-	-	1,034	8,502	7,100	(4,845)	(8,206)	(526,539)	-	7,821,288	-	7,298,334	2,523,213	9,821,547
Cash dividends - P1.11 per share	-	-	-	-	-	-	-	-	-	-	-	-	(6,153,470)	-	(6,153,470)	-	(6,153,470)
Cash dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,634,521)	(3,634,521)
Sale of treasury shares	-	772,524	-	-	-	-	-	-	-	-	-	-	-	112,812	885,336	-	885,336
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	222,038	222,038
Balances at June 30, 2015	5,694,600	7,683,568	5,376,176	469,540	(1,577,073)	15,660	44,036	(701,348)	(320,290)	(285,499)	(2,022,845)	-	96,663,414	(1,065,585)	109,974,354	26,101,539	136,075,893

	Attributable to owners of the parent																
	Capital Stock Common	Additional Paid-in Capital	Gain on Dilution	Excess of Book Value over Acquisition Cost of an Acquired Subsidiary	Acquisition of Non-controlling Interests	Net Unrealized Mark-to-market Gains (Losses) on AFS Investments	Cumulative Translation Adjustments	Actuarial Losses on Defined Benefit Plans	Share in Actuarial Losses on Defined Benefit Plans of Associates	Share in Cumulative Translation Adjustments of Associates	Share in Net Unrealized Mark-to-market Losses on AFS Investments & Underwriting Accounts of an Associate	Retained Earnings Appropriated	Retained Earnings Unappropriated	Treasury Stock	Total	Non-controlling Interests	Total
Balances at January 1, 2015	5,694,600	6,911,044	5,376,176	469,540	(1,577,073)	14,626	35,534	(708,448)	(315,445)	(277,293)	(1,496,306)	-	94,995,596	(1,178,397)	107,944,154	26,990,809	134,934,964
Net income for the period	-	-	-	-	-	-	-	-	-	-	-	-	17,679,116	-	17,679,116	5,478,362	23,157,478
Other comprehensive income																	
Movement of net unrealized mark-to-market losses on AFS investments	-	-	-	-	-	(438)	-	-	-	-	-	-	-	-	(438)	-	(438)
Movement in cumulative translation adjustments	-	-	-	-	-	-	140,846	-	-	-	-	-	-	-	140,846	34,060	174,906
Actuarial losses on defined benefit plans, net of tax	-	-	-	-	-	-	-	(87,519)	-	-	-	-	-	-	(87,519)	-	(87,519)
Share in movement in actuarial losses on defined benefit plan of associates	-	-	-	-	-	-	-	-	(19,011)	-	-	-	-	-	(19,011)	10,260	(8,751)
Share in cumulative translation adjustment of associates	-	-	-	-	-	-	-	-	-	83,372	-	-	-	-	83,372	35,741	119,113
Share in movement in unrealized mark-to-market losses on AFS investments of an associate	-	-	-	-	-	-	-	-	-	-	(2,252,426)	-	-	-	(2,252,426)	7,415	(2,245,010)
Total comprehensive income (loss) for the year	-	-	-	-	-	(438)	140,846	(87,519)	(19,011)	83,372	(2,252,426)	-	17,679,116	-	15,543,941	5,565,838	21,109,779
Cash dividends - P1.11 per share	-	-	-	-	-	-	-	-	-	-	-	-	(6,153,470)	-	(6,153,470)	-	(6,153,470)
Cash dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,243,449)	(4,243,449)
Sale of treasury shares	-	772,523	-	-	-	-	-	-	-	-	-	-	-	112,812	885,335	-	885,335
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	451,284	451,284
Balances at December 31, 2015	5,694,600	7,683,568	5,376,176	469,540	(1,577,073)	14,188	176,379	(795,967)	(334,456)	(193,921)	(3,748,731)	-	106,521,243	(1,065,585)	118,219,960	28,764,482	146,984,442

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands)

(Unaudited)

	For the six months ended June 30	
	2016	**2015**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Income before income tax	**15,827,281**	12,712,424
Adjustments for:		
Interest expense	**4,576,001**	3,445,633
Depreciation and amortization	**3,246,026**	2,348,616
Unrealized fair valuation losses (gains) on derivatives	**155,568**	
Write-off of project costs and others	**121,060**	228
Net unrealized foreign exchange loss	**44,684**	198,265
Amortization of computer softwares and other intangibles	**14,111**	8,318
Loss on sale of available for sale investments	**2,608**	
Provision for losses on investments & advances	**-**	13,937
Gain on sale of property, plant & equipment	**(989)**	(1,534)
Dividend income	**(1,129)**	(332)
Gain on sale of investments in shares of stock	**(16,051)**	
Unrealized excess of FV over historical acquisition cost	**(354,736)**	
Interest income	**(729,905)**	(502,020)
Share in net earnings of associates	**(4,161,962)**	(2,242,038)
Operating income before working capital changes	**18,722,567**	15,981,497
Decrease (increase) in operating assets	**(3,444,767)**	461,730
Increase in operating liabilities	**3,312,789**	3,340,191
Net cash generated from operations	**18,590,589**	19,783,418
Income and final taxes paid	**(1,911,414)**	(2,094,041)
Net cash flows from operating activities	**16,679,175**	17,689,377
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash dividends received	**3,828,342**	1,119,558
Interest received	**614,620**	532,833
Proceeds from sale of investments in shares of stock	**51,976**	
Disposals of (additions to):		
AFS investments	**569**	3,882
Land and improvements	**(332,436)**	(481,098)
Investments in associates	**(1,101,729)**	
Property, plant and equipment - net	**(15,132,233)**	(10,213,263)
Collection of advances to associates	**-**	289,492
Increase in intangible assets	**(24,002)**	(14,130)
Disposal of a subsidiary/ies (Acquisition through business combination), net of cash disposed (acquired)	**(352,794)**	(23,646)
Increase in noncurrent assets	**(1,107,718)**	(723,252)
Net cash flows used in investing activities	**(13,555,405)**	(9,509,624)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from long-term debt	**20,322,670**	4,092,680
Payments of finance lease obligation	**(3,591,145)**	(3,599,443)
Cash dividends paid to non-controlling interest	**(3,775,299)**	(3,634,521)
Net proceeds from (settlements of) bank loans	**719,170**	3,229,097
Interest paid	**(2,058,823)**	(578,601)
Cash dividends paid to equity holders of the parent	**(5,887,523)**	(6,153,470)
Re-issuance of treasury shares	**304,622**	885,335
Net cash flows from (used in) financing activities	**6,033,672**	(5,758,923)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**9,157,442**	2,420,830
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH & CASH EQUIVALENTS	**(45,769)**	21,808
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**63,581,884**	50,481,566
CASH AND SHORT-TERM INVESTMENTS AT END OF PERIOD	**72,693,557**	52,924,204

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS SCHEDULES AND DISCLOSURES

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

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

1. Revenues

	For the six months ended June 30		For the quarter
	2016	2015	**2016**
Sale of:			
Power and electricity	**43,381,843**	41,948,981	**22,068,187**
Goods	**10,578,898**	10,425,569	**6,870,590**
Real estate	**1,074,593**	1,266,149	**551,829**
Fair value of swine	**996,775**	959,583	**(789,320)**
Service fees	**839,233**	410,506	**469,230**
Others	**84,410**	60,551	**48,818**
	56,955,752	55,071,339	**29,219,334**

2. Costs & Expenses

	For the six months ended June 30		For the quarter
	2016	2015	**2016**
Cost of generated and purchased power	**24,147,072**	23,943,484	**12,435,386**
Cost of goods sold	**9,122,816**	8,809,346	**4,801,877**
Operating expenses	**9,048,558**	8,499,509	**4,816,078**
Cost of real estate sales	**908,600**	719,278	**472,126**
Overhead expenses	**66,273**		**35,203**
	43,293,319	41,971,617	**22,560,670**

3. Other Comprehensive Income

	For the six months ended June 3(		
		2016	
Available-for-sale financial assets:			
Net unrealized valuation gains arising during the period	**4,631**		14,714
Less: Reclassification adjustments for losses included in profit or loss	**0**	**4,631**	0
Share in movement in net unrealized mark-to-market gains (losses) on AFS investments of an associate		**6,144,861**	
Movement in actuarial gains on defined benefit plans		**10,709**	
Exchange differences in translating foreign currency-denominated transactions		**(108,241)**	
Share in movement in actuarial losses on defined benefit plans of associates		**(29,705)**	
Share in movement in cumulative translation adjustments of associates		**3,783**	
		6,026,038	
Income tax relating to components of other comprehensive income (loss)		**5,699**	
Other comprehensive income (loss) for the period		**6,031,737**	

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

	For the six months ended June 30, 2016		
	Before-Tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount
Available-for-sale financial assets:			
Net unrealized valuation gains arising during the period	**4,631**	**-**	**4,631**
Share in movement in net unrealized mark-to-market gains on AFS investments of an associate	**6,144,861**	**-**	**6,144,861**
Movement in actuarial gains on defined benefit plans	**10,709**	**(3,213)**	**7,496**
Exchange differences in translating foreign currency-denominated transactions	**(108,241)**	**-**	**(108,241)**
Share in movement in actuarial losses on defined benefit plans of associates	**(29,705)**	**8,911**	**(20,794)**
Share in movement in cumulative translation adjustments of associates	**3,783**	**-**	**3,783**
Other comprehensive income for the period	**6,026,038**	**5,698**	**6,031,736**

	For the six months ended June 30, 2015		
	Before-Tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount
Available-for-sale financial assets:			
Net unrealized valuation gains arising during the period	14,714	-	14,714
Share in movement in net unrealized mark-to-market losses on AFS investments of an associate	(525,138)	-	(525,138)
Movement in actuarial gains on defined benefit plans	10,144	(3,043)	7,101
Exchange differences in translating foreign currency-denominated transactions	11,747	-	11,747
Share in movement in actuarial losses on defined benefit plans of associates	(6,922)	2,077	(4,845)
Share in movement in cumulative translation adjustments of associates	(8,206)	-	(8,206)
Other comprehensive loss for the period	(503,661)	(966)	(504,627)

C. Investments and Advances

	June 30, 2016	December 31, 2015
Acquisition cost:		
Balance at beginning of period	**50,335,563**	29,191,049
Additions during the period	**1,101,728**	24,515,343
Disposals/write-offs during the period	**(180,616)**	(3,370,828)
Balance at end of period	**51,256,675**	50,335,563
Accumulated equity in net earnings:		
Balance at beginning of period	**27,072,369**	24,628,964
Share in net earnings for the period	**4,161,962**	6,589,452
Write-offs during the period	**-**	801,095
Step-acquisition to subsidiary	**(123,438)**	
Accumulated equity of associates owned by disposed subsidiaries/ Deconsolidation of a subsidiary	**-**	(57)
Dividends received or receivable	**(2,507,213)**	(4,947,084)
Balance at end of period	**28,603,680**	27,072,369
Gain on dilution	**1,014,136**	1,014,136
Share in net unrealized mark-to-market losses on AFS investment of an associate	**2,431,118**	(3,713,743)
Share in cumulative translation adjustments of associates	**(252,593)**	(256,377)
Share in actuarial losses on retirement benefit plans of associates	**(387,634)**	(368,215)
	82,665,382	74,083,734
Advances to associates	**32,059**	32,059
Investments in associates at equity	**82,697,441**	74,115,793
Less allowance for impairment loss	**680,731**	680,731
	82,016,710	73,435,061

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

	Nature of Business	% Ownership June 30, 2016
Manila-Oslo Renewable Enterprise, Inc. (MORE) *	Holding company	**83.33**
Maaraw Holdings San Carlos, Inc. (MHSCI) *	Holding company	**60.00**
AEV CRH Holdings, Inc. (AEV CRH)	Holding company	**60.00**
East Asia Utilities Corporation (EAUC)***	Power generation	**-**
Cebu District Property Enterprise, Inc. (CDPEI) *	Real estate	**50.00**
Accuria, Inc. **	Holding company	**-**
Union Bank of the Philippines (UBP)	Banking	**48.83**
Hijos de F. Escaño, Inc. (Hijos)	Holding company	**46.73**
CRH ABOITIZ Holdings, Inc. (CRH ABOITIZ)	Holding company	**45.00**
San Fernando Electric Light & Power Co., Inc. (SFELAPCO)	Power distribution	**43.78**
Pampanga Energy Ventures, Inc. (PEVI)	Holding company	**42.84**
La Filipina Elektrika, Inc.**	Power generation	**40.00**
San Carlos Sun Power, Inc. (SACASUN)*	Power generation	**35.00**
STEAG State Power, Inc. (STEAG)	Power generation	**34.00**
Cebu Energy Development Corp. (CEDC)	Power generation	**26.40**
Redondo Peninsula Energy, Inc. (RP Energy)**	Power generation	**25.00**
Southern Philippines Power Corporation (SPPC)	Power generation	**20.00**
Western Mindanao Power Corporation (WMPC)	Power generation	**20.00**

* *Joint venture*

** *No commercial operations.*

*** *With the additional acquisition of 50% interest in EAUC in 2016, this company is now treated as a subsidiary.*

D. Trade and Other Payables

	June 30, 2016	December 31, 2015
Trade	**9,989,825**	10,261,372
Others	**12,355,699**	8,304,185
	22,345,524	18,565,557

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

	June 30, 2016		December 31, 2015	
	Interest Rate	**Amount**	Interest Rate	Amount
Financial institutions - unsecured:				
Peso loans	**2.35% - 2.75%**	**8,799,200**	2.4% - 2.8%	8,440,900
US dollar loans	**1.82% - 2.00%**	**282,360**		-
Vietnamese Dong loans	**2.46% - 4.5%**	**520,666**	4.2% - 4.4%	442,156
		9,602,226		8,883,056

F. Long-term Debts

	June 30, 2016		December 31, 2015	
	Interest Rate	**Amount**	Interest Rate	Amount
Company:				
Financial and non-financial institutions - unsecured	**4.41% - 6.02%**	**32,000,000**	4.41% - 6.02%	32,000,000
Subsidiaries:				
Therma South, Inc. (TSI)				
Financial institution - secured	**4.50% to 5.14%**	**25,315,227**	4.50% to 5.14%	25,083,407
AP Renewables, Inc.				
Financial institution - secured	**4.53% to 6.00%**	**12,500,000**		
Aboitiz Power Corporation (AP)				
Financial and non-financial institutions - unsecured	**5.21% - 6.10%**	**10,000,000**	5.21% - 6.10%	10,000,000
Therma Visayas, Inc.				
Financial institution - secured	**6.02% to 6.23%**	**13,542,001**	6.02% to 6.23%	8,673,999
Hedcor Bukidnon, Inc.				
Financial institutions - secured	**5.28% to 6.00%**	**3,215,247**	5.28% to 6.00%	3,215,247
Pilmico Foods Corporation				
Financial institutions - secured	**5.09 - 5.65%**	**2,858,000**	5.09 - 5.65%	2,858,000
Pilmico Animal Nutrition Corporation				
Financial institution - secured	**5.02% - 5.35%**	**2,000,000**	5.02% - 6.47%	2,600,000
Aseagas Corporation				
Financial institution - secured	**4.66% - 5.06%**	**2,500,000**	4.66% - 5.06%	2,000,000
Visayan Electric Company, Inc.				
Financial and non-financial institutions- unsecured	**3.50% - 4.81%**	**1,584,000**	3.50% - 4.81%	1,584,000
Luzon Hydro Corporation				
Financial institution - secured	**2% to 2.75%**	**1,456,508**	2.38% to 2.56%	1,560,039
Davao Light & Power Co., Inc.				
Financial institutions - unsecured	**3.50% to 4.81%**	**1,188,000**	3.50% to 4.81%	1,188,000
Hedcor, Inc.				
Financial institution - secured	**5.25%**	**693,000**	5.25%	720,000
Cebu Praedia Development Corporation				
Financial institutions - unsecured	**4.24% - 5.11%**	**480,000**	4.24% - 5.11%	480,000
Subic Enerzone Corporation				
Financial institutions - unsecured	**5.61% - 6.06%**	**339,000**	5.61% - 6.06%	339,000
AboitizLand, Inc.				
Financial institutions:				
Peso - secured	**4.67% - 6.89%**	**135,000**	4.67% - 6.89%	150,000
US Dollar - secured	**1.31% - 1.59%**	**103,555**	1.31% - 1.59%	115,061
Cotabato Light & Power Co., Inc.				
Financial institution - unsecured	**3.50% to 4.81%**	**237,600**	3.50% to 4.81%	237,600
Joint Operation				
Pagbilao Energy Corporation				
Financial institution - secured	**4.70% to 6.68%**	**9,923,498**	4.70% to 6.68%	6,973,502
Total		**120,070,636**		99,777,855
Less deferred financing costs		**1,746,584**		1,230,123
		118,324,052		98,547,732
Less current portion		**3,531,279**		3,133,346
		114,792,773		95,414,386

G. Debt Securities

As of June 30, 2016 and December 31, 2015, AEV and Aboitiz Power Corporation (AP) registered and issued peso-denominated fixed-rate retail bonds totalling P42 billion under the following terms:

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

H. Earnings Per Common Share

Earnings per common share amounts were computed as follows:

	Jan-Jun 2016	Jan-Jun 2015
a. Net income attributable to equity holders of the parent	**10,504,784**	7,821,288
b. Weighted average number of common shares issued and outstanding	**5,557,263**	5,551,617
Earnings per share (a/b)	**1.890**	1.409

I. Operating Segment Information

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

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

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

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

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

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

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

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

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

	January - June 30, 2016							
	Power	Financial Services	Food Manufacturing	Real Estate	Infrastructure	Parent Company and Others	Eliminations	Consolidated
REVENUES								
Third parties	43,477,103	236,970	11,575,673	1,020,255	-	645,751		56,955,752
Inter-segment	44,620	-	-	-	-	149,167	(193,787)	-
Total revenue	43,521,723	236,970.00	11,575,673	1,020,255	-	794,918	(193,787)	56,955,752
RESULTS								
Segment results	12,487,303	(69,720)	1,187,540	111,655	(2,040)	(52,305)	-	13,662,433
Unallocated corporate income (expenses)	1,535,049	27,250	182,618	14,623	-	89,442	-	1,848,982
INCOME FROM OPERATIONS								15,511,415
Interest Expense	(3,600,285)	(2,985)	(164,284)	(20,090)	-	(788,357)		(4,576,001)
Interest Income	565,480	620	36,059	18,492	265	108,989		729,905
Share in net earnings of associates	1,601,338	1,933,598	(258)	(1,283)	629,713	8,492,846	(8,493,992)	4,161,962
Provision for Income tax	(1,886,718)	61	(353,888)	(14,042)	(53)	(16,303)		(2,270,943)
NET INCOME								13,556,338
OTHER INFORMATION - as of June 30, 2016								
Segment assets	77,054,528	1,228,242	10,246,590	5,468,590	36,509	14,608,734	(125,000)	108,518,193
Investments and advances	22,622,470	33,696,767	-	1,489,248	24,447,974	90,089,527	(90,329,276)	82,016,710
Unallocated corporate assets	161,983,676	173,485	6,629,646	7,323,286	55,714	6,579,061	522,199	183,267,067
Consolidated total assets								373,801,970
Segment liabilities	159,917,608	457,379	11,920,420	4,218,708	3,720	36,539,134	(91,013)	212,965,956
Unallocated corporate liabilities	2,691,972	465,444	306,441	467,420	-	(274,410)		3,656,867
Consolidated total liabilities								216,622,823
				January - June 30, 2016				
Capital expenditures								(15,132,233)
Depreciation and amortization	2,900,092	22,087	244,243	12,486	88	81,142	-	3,260,138

	January - June 30, 2015							
	Power	Financial Services	Food Manufacturing	Real Estate	Infrastructure	Parent Company and Others	Eliminations	Consolidated
REVENUES								
Third parties	42,054,748	-	11,385,152	1,218,151	-	413,288		55,071,339
Inter-segment	51,217	-	-	-	-	68,735	(119,952)	-
Total revenue	42,105,965	-	11,385,152	1,218,151	-	482,023	(119,952)	55,071,339
RESULTS								
Segment results	11,727,493	-	1,300,889	252,451	-	(181,112)		13,099,721
Unallocated corporate income (expenses)	250,913	-	22,192	11,968	-	29,204		314,277
INCOME FROM OPERATIONS								13,413,998
Interest Expense	(3,084,828)	-	(107,759)	(29,195)	-	(223,851)		(3,445,633)
Interest Income	395,777	-	18,564	19,503	-	68,176		502,020
Share in net earnings of associates	1,378,174	866,437	-	(826)	-	7,324,784	(7,326,531)	2,242,038
Provision for Income tax	(2,014,733)	-	(342,355)	(21,801)	-	(7,360)		(2,386,249)
NET INCOME								10,326,174
OTHER INFORMATION - as of December 31, 2015								
Segment assets	70,409,021	1,009,831	8,601,197	6,237,888	70,191	11,383,619	(678,329)	97,033,419
Investments and advances	22,551,845	25,813,716	-	1,490,531	23,818,261	91,188,162	(91,427,453)	73,435,061
Unallocated corporate assets	149,528,380	179,504	5,811,722	6,955,600	14,188	6,637,345	522,643	169,649,382
Consolidated total assets								340,117,863
Segment liabilities	138,399,444	180,213	10,311,032	4,713,271	11,410	36,841,079	(643,877)	189,812,572
Unallocated corporate liabilities	2,476,235	188,278	189,274	475,562	-	(8,500)	-	3,320,848
Consolidated total liabilities								193,133,421
	January - June 30, 2015							
Capital expenditures								(10,213,263)
Depreciation and amortization	2,064,820		205,338	14,374	-	72,402		2,356,934

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 June 30, 2016, 1.31% of the Group's long-term debt had floating interest rates ranging from 1.31% to 2.75%, and 98.69% are with fixed rates ranging from 3.50% to 6.89%. As of December 31, 2015, 1.69% of the Group's long-term debt had floating interest rates ranging from 1.31% to 2.75%, and 98.31% are with fixed rates ranging from 3.50% to 7.68%.

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

As of June 30, 2016

	Less than 1 year	1-5 years	More than 5 years	Total
Long-term debts				
Floating rate	**269,341**	**1,284,874**	**-**	**1,554,215**
	269,341	**1,284,874**	**-**	**1,554,215**

As of December 31, 2015

	Less than 1 year	1-5 years	More than 5 years	Total
Long-term debts				
Floating rate	256,763	1,404,361	7,056	1,668,180
	256,763	1,404,361	7,056	1,668,180

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

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

	January-June 2016	January-June 2015
Finance lease obligation	**2,227,226**	2,560,377
Long term debt	**2,173,833**	724,022
Bank loans	**101,245**	62,410
Customers' deposits	**1,944**	24,052
Long-term obligation on PDS and others	**71,753**	74,772
	4,576,001	3,445,633

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) as of June 30, 2016 and 2015:

	Increase (decrease) in basis points	Effect on income before tax
June 30, 2016	**200**	**(15,500)**
	(100)	**7,750**
June 30, 2015	200	(17,481)
	(100)	8,740

The Group's sensitivity to an increase/decrease in interest rates pertaining to derivative instruments is expected to be insignificant during the first six months of 2016 and 2015 due to their short-term maturities and immateriality relative to the total assets and liabilities of the Group.

There is no other impact on the Group's equity other than those already affecting the consolidated statement 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 June 30, 2016 and December 31, 2015, foreign currency denominated borrowings account for 16.3% and 18.5%, respectively, of total consolidated borrowings.

	June 30, 2016		December 31, 2015	
	US Dollar	**Philippine Peso equivalent[1]**	US Dollar	Philippine Peso equivalent[2]
Loans and receivables:				
Cash and cash equivalents	**$ 162,373**	**7,641,252**	$ 58,089	2,733,648
Trade and other receivables	**6,848**	**322,281**	1,425	67,047
AFS investments	**6,512**	**306,455**	6,605	310,831
Derivative assets	**3,444**	**162,077**	6,570	309,184
Total financial assets	**179,177**	**8,432,065**	72,688	3,420,711
Other financial liabilities:				
Bank loans[3]	**17,064**	**803,026**	9,396	442,156
Trade and other payables	**4,652**	**218,915**	4,582	215,623
Long-term debt	**33,151**	**1,560,063**	2,445	115,061
Finance lease obligation	**572,185**	**26,927,026**	588,108	27,676,362
Total financial liabilities	**627,052**	**29,509,030**	604,530	28,449,203
Total net financial liabilities	**$ (447,875)**	**(21,076,965)**	$ (531,842)	(25,028,492)

[1]USD1 = P47.060

[2]USD1 = P47.060

[3]The original currency of these loans is Vietnamese Dong.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rates, with all other variables held constant, of the Group's profit before tax as of June 30, 2016 and December 31, 2015.

	Increase/ (decrease) in US Dollar	Effect on income before tax
June 30, 2016		
US Dollar denominated accounts	**US Dollar strengthens by 5%**	**(1,053,848)**
US Dollar denominated accounts	**US Dollar weakens by 5%**	**1,053,848**
December 31, 2015		
US Dollar denominated accounts	US Dollar strengthens by 5%	(1,251,425)
US Dollar denominated accounts	US Dollar weakens by 5%	1,251,425

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

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

Equity price risk

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

As of June 30, 2016 and December 31, 2015, 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 June 30, 2016 and December 31, 2015, the portion of the total long-term debt, inclusive of customers' deposits, that will mature in less than one year is 3.45% and 3.60%, respectively. For its short-term funding, the policy of the Group is to ensure that there are sufficient working capital inflows to match repayments of short-term debt.

Cash and cash equivalents and trade and other receivables, which are all short-term in nature, have balances of P72.7 billion and P20.0 billion as of June 30, 2016 and P63.6 billion and P18.8 billion as of December 31, 2015, 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.

June 30, 2016

		Contractual undiscounted payments				
	Total Carrying Value	**Total**	**On demand**	**> 1 year**	**1 to 5 years**	**> 5 years**
Trade and other payables*	**19,345,033**	**19,345,033**	**5,252**	**19,339,781**	**-**	**-**
Customers' deposits	**6,739,936**	**6,739,936**	**-**	**-**	**42,147**	**6,697,789**
Bank loans	**9,602,226**	**9,602,226**	**-**	**9,602,226**	**-**	**-**
Long-term debt	**118,324,052**	**131,040,440**	**-**	**5,100,780**	**43,674,862**	**82,264,798**
Finance lease obligation	**52,303,848**	**84,175,630**	**-**	**7,842,450**	**35,077,140**	**41,256,040**
Long-term obligation on power distribution system	**262,216**	**480,000**	**-**	**40,000**	**200,000**	**240,000**
Derivative liabilities	**17,811**	**17,811**	**-**	**17,811**	**-**	**-**
Total	**206,595,122**	**251,401,076**	**5,252**	**41,943,048**	**78,994,149**	**130,458,627**

*Excludes statutory liabilities

December 31, 2015

		Contractual undiscounted payments				
	Total Carrying Value	Total	On demand	> 1 year	1 to 5 years	> 5 years
Trade and other payables*	15,962,907	16,207,170	12,771	16,194,399	-	-
Customers' deposits	6,581,459	6,581,459	-	-	49,804	6,531,655
Bank loans	8,883,056	8,892,441	-	8,892,441	-	-
Long-term debt	98,547,732	135,781,480	-	8,615,279	59,475,440	67,690,761
Finance lease obligation	53,668,854	88,453,330	-	7,842,450	34,221,600	46,389,280
Long-term obligation on power distribution system	247,184	480,000	-	40,000	200,000	240,000
Total	183,891,192	256,395,880	12,771	41,584,569	93,946,844	120,851,696

*Excludes statutory liabilities

Capital management

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

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

No changes were made in the objectives, policies or processes during the periods ended June 30, 2016 and December 31, 2015.

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 June 30, 2016 and December 31, 2015, these entities have complied with this requirement as applicable.

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

Gearing ratios of the Group as of June 30, 2016 and December 31, 2015 are as follows:

	June 30, 2016	December 31, 2015
Bank Loans	**9,602,226**	8,883,056
Long-term obligations	**170,627,900**	152,216,586
Cash and cash equivalents	**(72,693,557)**	(63,581,884)
Net Debt (a)	**107,536,569**	97,517,758
Equity	**157,179,147**	146,984,442
Equity and Net Debt (b)	**264,715,716**	244,502,200
Gearing Ratio (a/b)	**40.62%**	39.88%

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.

	June 30, 2016		December 31, 2015	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial liabilities				
Finance lease obligation	**52,303,848**	**60,910,746**	53,668,854	56,465,454
Long-term debt - fixed rate	**116,769,837**	**119,912,382**	96,879,552	97,276,291
Long-term obligation on PDS	**262,216**	**412,278**	247,184	414,135
Total	**169,335,901**	**181,235,406**	150,795,590	154,155,880

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

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

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

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

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

Long-term obligation on PDS. The fair value of 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.

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

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

Derivative financial instruments

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

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

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

As of June 30, 2016 and December 31, 2015, the Group recognized net derivative assets relating to these contracts amounting to P283.4 million and P563.4 million, respectively.

The movements in fair value changes of all derivative instruments for the year ended June 30, 2016 and December 31, 2015 are as follows:

	June 30, 2016	December 31, 2015
At beginning of period	**563,366**	112,544
Net changes in fair value of derivatives designated as accounting hedges	**(134,890)**	144,672
Net changes in fair value of derivatives not designated as accounting hedges	**(155,568)**	317,645
Fair value of settled instruments	**10,460**	(11,495)
At end of period	**283,368**	563,366

The gains (losses) from the net fair value changes of derivatives not designated as accounting hedges are included as "Net foreign exchange gains (losses)" under "Other income - net". The changes in the fair value of derivatives designated as accounting hedges 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 June 30, 2016 and December 31, 2015, the Group held the following financial instruments that are measured and carried or disclosed at fair value:

June 30, 2016

	Total	**Level 1**	**Level 2**	**Level 3**
Carried at fair value:				
AFS investments	**27,137**	**27,137**	**-**	**-**
Derivative asset	**301,179**	**-**	**301,179**	**-**
Derivative liability	**17,811**	**-**	**17,811**	**-**
Disclosed at fair value:				
Obligations under finance lease	**60,910,746**	**-**	**-**	**60,910,746**
Long-term debt - fixed rate	**119,912,382**	**-**	**-**	**119,912,382**
Long-term obligation on PDS	**412,278**	**-**	**-**	**412,278**

December 31, 2015

	Total	Level 1	Level 2	Level 3
Carried at fair value:				
AFS investments	325,482	325,482	-	-
Derivative asset	563,366	-	563,366	-
Disclosed at fair value:				
Obligations under finance lease	56,465,454	-	-	56,465,454
Long-term debt - fixed rate	97,276,291	-	-	97,276,291
Long-term obligation on PDS	414,135	-	-	414,135

During the periods ended June 30, 2016 and December 31, 2015, there were no transfers between level 1 and level 2 fair value measurements and transfers into and out of level 3 fair value measurement.

L. Disclosures

1. Company Information

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

The Company and its subsidiaries (collectively referred to as the "Group") are engaged in various business activities mainly in the Philippines, including power generation and distribution, food manufacturing, banking and financial services, 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, 2015 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, 2015.

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.

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

On July 26, 2016, the Audit Committee of the Board of Directors approved and authorized the release of the accompanying unaudited condensed consolidated financial statements of Aboitiz Equity Ventures, Inc. and subsidiaries.

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except for the new and revised PFRS which the Group has adopted starting January 1, 2016. Except as otherwise indicated, adoption of the following new and amended PFRS did not have any significant impact to the Group's consolidated financial statements:

- PFRS 10, *Consolidated Financial Statements, and PAS 28, Investments in Associates and Joint Ventures* –
  The amendments clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value and that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity parent is consolidated. The amendments also allow an investor (that is not an investment entity and has an investment entity associate or joint venture), when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

- 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. 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 on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. This standard is not applicable since the Group is an existing PFRS preparer.

- PAS 1, *Presentation of Financial Statements – Disclosure Initiative (Amendments)*

  The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRS. They clarify the following:

  a. That entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions
  b. That specific line items in the statement of income and other comprehensive income and the statement of financial position may be disaggregated
  c. That entities have flexibility as to the order in which they present the notes to the financial statements
  d. That the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

  Early application is permitted and entities do not need to disclose that fact as the amendments are considered to be clarifications that do not affect an entity's accounting policies or accounting estimates.

- 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. These amendments have no impact on the Group given that it 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. These amendments have no relevance 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.

<u>Annual Improvements to PFRSs (2012-2014 cycle)</u>

The Annual Improvements to PFRSs (2012-2014 cycle) which took effect on January 1, 2016 did not have any material impact to 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).

New Accounting Standards, Interpretations, and Amendments to Existing Standards Not Yet Effective as of January 1, 2016:

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

- PFRS 9, *Financial Instruments*

  In July 2014, the IASB issued the final version of International Financial Reporting Standards (IFRS) 9, Financial Instruments. The new standard (renamed as PFRS 9) reflects all phases of the financial instruments project and replaces PAS 39, Financial Instruments: Recognition and Measurement, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Early application of previous versions of PFRS 9 (2009, 2010 and 2013) 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.

- IFRS 15, *Revenue from Contracts with Customers*

  IFRS 15 was issued in May 2014 by the IASB and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in 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, 2018 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.

- IFRS 16, *Leases*

  On January 13, 2016, the IASB issued its new standard, IFRS 16, Leases, which replaces International Accounting Standards (IAS) 17, the current leases standard, and the related Interpretations.

  Under the new standard, lessees will no longer classify their lessees as either operating or finance leases in accordance with IAS 17. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

  The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under IAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

  The new standard is effective for annual periods beginning on or after January 1, 2019. Entities may early adopt IFRS 16 but only if they have also adopted IFRS 15. When adopting IFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs. The Group is currently assessing the impact of PFRS 16 and plans to adopt the new standard on the required effective date once adopted locally.

3. Basis of Consolidation

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

		June 30, 2016		December 31, 2015	
	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 Subsidiaries	Power	**–**	**100.00**	–	100.00
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 Kalinga, Inc. *	Power	**–**	**100.00**	–	100.00
Hedcor Itogon, 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
Mt. Apo Geopower, Inc. *	Power	**–**	**100.00**	–	100.00
Cleanergy, Inc. (CI) *	Power	**–**	**100.00**	–	100.00
Hydro Electric Development Corporation (HEDC)	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
East Asia Utilities Corporation (EAUC)**	Power	**–**	**100.00**	–	–
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
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 (AEV International) and Subsidiaries	Holding company	**100.00**	**–**	100.00	–
Pilmico International Pte. Ltd (Pilmico International) and Subsidiary	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	–
PETNET, Inc. (PETNET)	Financial services	**51.00**	**–**	51.00	–
AEV Infracapital, Inc.	Holding company	**100.00**	**–**	–	–

Apo Agua Infrastructura, Inc. *	Supply of treated bulk water	**57.54**	**12.46**	70.00	–

** No commercial operations as of June 30, 2016 and December 31, 2015.*

*** With the additional acquisition of 50% interest in EAUC in 2016, this company is now treated as a subsidiary.*

4. Seasonality of Interim Operations

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

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

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

During the first six months of 2016, additions to property, plant and equipment (PPE) totalled P15.13 billion. A significant portion of the Group's PPE relates to various projects under "Construction in progress" as of June 30, 2016 and December 31, 2015, as shown below:

Project Company	Estimated costs to complete (in millions)	% of completion
Therma Visayas	25,797	33%
PEC	11,621	48%
Hedcor Bukidnon	8,246	27%
Therma South	989	97%

For the current period, construction costs for the various projects reached P12.44 billion, which includes capitalized borrowing costs amounting to P705.1 million.

Additions to land and improvements amounted to P332 million, representing AboitizLand's purchase of various lots for future development.

6. Material Events and Changes

a. AEV Dividend Declaration and Retained Earnings Appropriation

To comply with the requirements of Section 43 of the Corporation Code, on March 8, 2016, the Board of Directors (BOD) of the Company approved the following:

i.) Declaration of a regular cash dividend of P1.06 per share (P5.89 billion) to all stockholders of record as of March 22, 2016. These dividends will be taken out of the unrestricted retained earnings as of December 31, 2015, and will be paid on April 19, 2016. Said declaration is in compliance with the Company's policy of distributing a regular dividend equivalent to at least 33% of previous year's consolidated net income.

ii.) Appropriation of P2.72 billion of the retained earnings as of December 31, 2015 for the funding of the estimated P1.0 billion purchase price adjustment on the acquisition of the Philippine business of Lafarge S.A. and for additional capital infusion into the following investees to finance their respective business expansion projects or ongoing plant construction (amounts in thousand pesos):

Investee	Project to be Funded	Board Approval Date	Estimated Project Start Date	Estimated Project Completion Date	Appropriation (in thousands)
AboitizLand, Inc. and Subsidiaries	Land Acquisition	July, 2013	1st quarter 2014	End of 4th quarter 2017	500,000
Apo Agua Infrastructura, Inc.	Plant Construction	December, 2015	July, 2016	Start of 1st quarter 2019	622,000
Aseagas, Inc.	Plant Construction	March, 2016	Aug, 2014	Start of 3rd quarter 2016	345,000
Petnet, Inc.	Business Expansion	May, 2015	June, 2015	December, 2016	250,000
Total					**1,717,000**

b. Sale of Equity Shares in Aseagas

On March 31, 2016, the BOD of AEV approved the sale of its equity interest in Aseagas Corporation (Aseagas) to Aboitiz Renewables, Inc. (ARI), a wholly-owned subsidiary of Aboitiz Power Corporation (AP). The sale is subject to the usual closing conditions and approvals. The acquisition price will be computed based on the subscription price of the shares, subject to the results of the fairness valuation being conducted by an independent financial adviser. Aseagas is a wholly-owned subsidiary of AEV. It is the project company of the biomass renewable energy plant that utilizes organic wastes. On the other hand, ARI is the holding company of AP's investments in renewable energy.

c. Sale of AEV's Treasury Shares

For the period ended June 30, 2016, the Company sold a total of 3,994,750 treasury shares. Net proceeds from the sale amounted to ₱305 million.

d. Purchase of UBP Shares

For the period ended June 30, 2016, the Company bought a total of 9,113,319 common shares of Union Bank of the Philippines at an average net price of P64.40 per share.

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

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

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

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

7. Events After the Reporting Period

a. Disposal of Aseagas Shares

On July 4, 2016, AEV completed the sale of all its equity interest in Aseagas to Aboitiz Renewables, Inc., after the closing conditions for the sale were met.

AEV sold its entire shareholdings in Aseagas comprising of 72,710,000 common shares and 654,300,000 redeemable preferred shares at the price per share of ₱0.83 or for a total purchase price of ₱605 million.

b. Sale of AEV's Treasury Shares

On July 7 and 8, 2016, the Company sold a total of 7,200,000 treasury shares. Net proceeds from the sale amounted to ₱551 million.

8. Material Adjustments

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

9. Contingencies

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

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

M. SCHEDULE OF RELEVANT FINANCIAL RATIOS

	FORMULA	June 30, 2016	December 31, 2015
LIQUIDITY RATIOS			
Current ratio	Current assets / Current liabilities	**2.76**	2.84
Acid test ratio	Cash + Marketable Securities + Accounts Receivable+ Other Liquid Assets / Current liabilities	**2.36**	2.41
SOLVENCY RATIOS			
Debt to equity ratio	Total liabilities / Total equity	**1.38**	1.31
Asset to equity ratio	Total assets / Total equity	**2.38**	2.31
Net debt to equity ratio	Debt - cash & cash equivalents / Total equity	**0.68**	0.66
Gearing ratio	Debt - cash & cash equivalents / Total equity + (Debt - cash & cash equivalents)	**40.62%**	39.88%
Interest coverage ratio	EBIT / Interest expense	**5.08**	5.22
PROFITABILITY RATIOS			
Operating Margin	Operating Profit / Total revenues	**24.0%**	24.6%
Return on Equity*	Net income after tax / Total equity	**n.a.**	17.07%

*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 : JUNE 30, 2016
(amts in P000's)

	30 Days	60 Days	90 Days	Over 90 Days	Total
Trade Receivables					
Power	7,653,906	618,661	213,764	3,370,841	11,857,172
Food Manufacturing	1,412,640	83,213	31,046	127,462	1,654,361
Realty	103,043	56,162	47,087	1,982,707	2,188,999
Financial Services	21,882	699	1,308	14,363	38,252
Holding and Others	692,881	69,259	50,381	332,066	1,144,587
	9,884,352	**827,994**	**343,586**	**5,827,439**	**16,883,371**
Others	**4,167,021**	**16,445**	**29,932**	**1,070,520**	**5,283,918**
	14,051,373	**844,439**	**373,518**	**6,897,959**	**22,167,289**
Less Allowance for Doubtful Accounts					**2,069,303**
					20,097,986

AS OF : DECEMBER 31, 2015

	30 Days	60 Days	90 Days	Over 90 Days	Total
Trade Receivables					
Power	7,070,212	1,457,571	196,593	3,086,020	11,810,396
Food Manufacturing	1,477,166	48,031	7,043	137,147	1,669,387
Realty	1,564,162	65,277	68,545	588,168	2,286,152
Financial Services	27,372	0	0	0	27,372
Holding and Others	655,647	2,569	0	75,230	733,446
	10,794,559	**1,573,448**	**272,181**	**3,886,565**	**16,526,753**
Others	**4,298,847**	**29,011**	**5,274**	**235,391**	**4,568,523**
	15,093,406	**1,602,459**	**277,455**	**4,121,956**	**21,095,276**
Less Allowance for Doubtful Accounts					**2,041,945**
					19,053,331

ACCOUNTS RECEIVABLE DESCRIPTION

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

NORMAL OPERATING CYCLE

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

Food Subsidiary - 90 days
Real Estate Subsidiary - 30 days
Financial Services Subsidiary - 60 days