aboitiz
Equity Ventures

April 14, 2016

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

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

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

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

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

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

Gentlemen:

Attached is the SEC Form 17-A (Annual Report 2015) of Aboitiz Equity Ventures, Inc. for your files.

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

CEO2536
S.E.C. Registration Number

ABOITIZ EQUITY VENTURES, INC.

(Company's Full Name)

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

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

M. JASMINE S. OPORTO
Contact Person

02- 886-2800
Company Telephone Number

Contact Person

2015
Annual Report

		3rd Monday of
12 31	**17-A**	**05 16**
Month *Day*	FORM TYPE	*Month* *Day*
Fiscal Year		Annual Meeting

N/A
Secondary License Type, if Applicable

SEC
Dept. Requiring this Doc

N/A
Amended Articles Number/Section

	x	
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = Pls. use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the year ended 2015

2. SEC Identification Number **CEO2536**

3. BIR TIN **003-828-269-V**

4. Exact name of registrant as specified in its charter **Aboitiz Equity Ventures, Inc.**

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

6. [redacted]
Industry Classification Code

7. **32nd Street, Bonifacio Global City, Taguig City, Metro Manila**
Address of principal office

1634
Postal Code

8. **(02) 886-2800**
Issuer's telephone number, including area code

9. **NA**
Former name or former address, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Section 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	**5,554,266,807**
Amount of Debt Outstanding (As of December 31, 2015)	**₱160,639,642,000.00**

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

Yes (✓) No ( )

If yes, state the name of such stock exchange and the classes of securities listed therein:

Philippine Stock Exchange **Common**

12. Check whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Securities Regulation Code (SRC) and SRC Rule 17.1 thereunder or Section 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 12 months (or for such shorter period that the registrant was required to file such reports);

Yes (✓) No ( )

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

Yes (✓) No ( )

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form.

For 2015, aggregate voting stock of registrant held outside of its affiliates and/or officers and employees totaled 2,793,053,822 shares (for details please refer to the attached notes to financial statements and Schedule H of this report) while its average market price per share was ₱57.08.

Based on this data, total market value of registrant's voting stock not held by its affiliates and/or officers and employees was computed to be ₱159,427,512,160.

APPLICABLE ONLY TO REGISTRANTS INVOLVED IN INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

14. Check whether the registrant has filed all documents and reports required to be filed by Section 17 of the RSA subsequent to the distribution of securities under a plan confirmed by a court or the SEC.

Yes ( ) No (✓)

DOCUMENTS INCORPORATED BY REFERENCE

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

(a) Any annual report to security holders;

(b) Any information statement filed pursuant to SRC Rule 20;

(c) Any prospectus filed pursuant to SRC Rule 8.1.

On June 15, 2015, the Company filed its Prospectus with the Securities and Exchange Commission in relation to its Twenty Five Billion Fixed Rate Peso Retail Bonds with tenors of five years and three months, seven years, and twelve years (the "Bonds"). SEC issued the Order of Registration and a Certificate of Permit to Sell Securities on July 27, 2015 and the Bonds were offered to the public on the same day until July 31, 2015.

The Prospectus can be incorporated under Part I, Paragraph (A) (2) (b) Debt Issues.

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PART 1 – BUSINESS AND GENERAL INFORMATION

Item 1. Business

(1) Business Development

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

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

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

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

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

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

AEV's infrastructure arm is composed of AEV CRH, CRH Aboitiz and their respective Subsidiaries, which acquired Lafarge S. A. Philippine assets. Apo Agua Infrastractura, Inc. (Apo Agua), a joint venture company with J.V. Angeles Construction Company (JVACC), is the project company for the supply of treated bulk water to the Davao City Water District (DCWD). The proposed venture includes the construction of both a hydro electric-powered bulk water treatment facility and the conveyance system needed to deliver treated bulk water to numerous DCWD delivery points.

As part of its efforts to streamline its operations and focus on its core businesses of power generation, power distribution, banking, food, and land development, AEV completed in 2012 the divestment of its interests in the shipping and shipping-related businesses and disposed of all its investments in Aboitiz Jebsen Company, Inc., Aboitiz Jebsen Manpower Solutions, Inc., and Jebsen Maritime, Inc. (collectively the "Abojeb Group") to

PTC Holdings Corporation, Behike Holdings, Inc., Valdicava Holdings, Inc., Jebsen Invest A.S. and Furunes Holdings, Inc. The total purchase price of AEV's interests in the Abojeb Group is equivalent to US$8.3 mn.

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

The Company, through Aseagas Corporation (AseaGas), initially intended to establish a waste-to-energy business by setting up of a liquid biomethane (LBM) fuel facility in the Philippines. The technology involves the production of biogas from organic waste, cleaning the gas and then liquefying it to fuel for vehicles, similar in specification to liquid natural gas (LNG) but sourced from 100% recycled organic material. However, due to the slump in oil prices at the end of 2014, AseaGas shifted its business model from producing liquified biogas for fuel to utilizing the same biogas to produce biomass power. AseaGas has an off take agreement under the Feed-In Tariff (FIT) program for biomass othe Department of Energy (DOE). The company's first project, located in Lian, Batangas, is expected to be commissioned by third quarter of 2016. AseaGas is keen to expand its existing location and to build new sites using various sources of waste streams as feedstock.

On May 2013, the Company entered into a joint venture with JVACC for the supply of treated bulk water to DCWD. The proposed venture includes the construction of both a hydro electric-powered bulk water treatment facility and the conveyance system needed to deliver treated bulk water to numerous DCWD delivery points. On March 17, 2015, the joint venture company of the project, Apo Agua, entered into a Joint Venture Agreement and Bulk Water Purchase Agreement with DCWD.

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

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

In 2014, AEV through Pilmico International Pte. Ltd. (Pilmico International) and Pilmico VHF in Vietnam, expanded its feeds business in Vietnam allowing the Food Group to build its market base internationally. The Company completed its first international acquisition on May 29, 2014 through Pilmico International Pte, a Singapore-based affiliate of AEV. Pilmico International acquired 70% of the total outstanding shares in Vin Hoan 1 Feed JSC (VHF), one of the largest aqua feed producers in Vietnam. After completion of the acquisition, VHF was thereafter renamed as Pilmico VHF Joint Stock Company. Pilmico International has the obligation to purchase the remaining 30% of the outstanding shares of Pilmico VHF within a period of five years.

On August 28, 2014, the Board of Directors approved the sale of up to 50 mn of AEV's common shares held in treasury. The shares were sold in tranches at prevailing market prices through the facilities of the PSE. The Board of Directors delegated to management the authority to determine the timing of the sale of treasury shares. Currently, the Company already disposed of a total of 32,394,986 treasury shares, thereby increasing the Company's issued and outstanding shares from 5,543,666,807 to 5,554,266,807 as of March 31, 2016.

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

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

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

Same as the 2013 Bonds, PhilRatings gave the 2015 Bonds the highest possible rating of "PRS Aaa". The 2015 Bonds are listed with Philippine Dealing and Exchange Corp. (PDEX).

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

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

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

The Company, through Team Trident consortium, also filed prequalification documents for the Public-Private Partnership (PPP) bid to finance, design, construct, operate and maintain the Laguna Lake Expressway-Dike Project. Team Trident is a consortium involving AEV, ALI, Megaworld Corporation (MEG), SM Prime Holdings, Inc. (SMPH) and the lead member, Trident Infrastructure and Development Corporation (TIDC). TIDC is a joint venture company among AEV, ALI, MEG and SMPH incorporated for purposes of pre-qualifying for the bidding and evaluating the feasibility of the Project.

The Company submitted the pre-qualification documents on August 17, 2015 to the Department of Transportation and Communication (DOTC) for the bidding of the operation, maintenance and expansion of five regional airports - Davao, Laguindingan, New Bohol, Iloilo and Bacolod. AEV, in partnership with VINCI Airports, is participating in the bid through a consortium referred to as the Maya Consortium. VINCI Airports manages and operates 24 airports in three countries, France, Portugal and Cambodia.

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

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

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

(2) Business of Issuer

As of December 31, 2015, AEV's core businesses, conducted through its various Subsidiaries and Affiliates, can be grouped into five main categories as follows: (a) power distribution, power generation, and retail electricity supply, (b) financial services, (c) food manufacturing, (d) real estate and (e) infrastructure. The Company also has portfolio investments in other companies.

Based on the SEC paremeters of what constitutes a significant Subsidiary under Item XX of Annex "B" of SRC Rule 12, the following are presently AEV's significant Subsidiaries: Aboitiz Power Corporation and Subsidiaries, Pilmico Foods Corporation and Subsidiaries, and Aboitiz Land, Inc. and Subsidiaries. (Please see Annex "A" for the corporate structure of AEV showing the different business segments.)

(a) Description of Registrant

(i) Principal Products

Aboitiz Power Corporation (AboitizPower)

Incorporated in 1998, AboitizPower is a publicly-listed holding company that, through its subsidiaries and affiliates, is a leader in the Philippine power industry and has interests in a number of privately-owned generation companies and distribution utilities. AEV owns 76.88% of the outstanding capital stock of AboitizPower as of March 31, 2016.

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

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

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

AboitizPower was incorporated on February 13, 1998 as a holding company for the Aboitiz Group's investments in power generation and distribution. However, in order to prepare for growth in the power generation industry, AboitizPower was repositioned in the third quarter of 2003 as a holding company that owned power generation assets only. The divestment by AboitizPower of its power distribution assets was

achieved through a property dividend declaration in the form of AboitizPower's ownership interests in the different power distribution companies. The property dividend declaration effectively transferred direct control over the Aboitiz Group's power distribution business to AEV. Further, in 2005 AboitizPower consolidated its investments in mini-hydroelectric plants in a single company by transferring all of HEDC's and Cleanergy's mini-hydroelectric assets into Hedcor, Inc. (Hedcor).

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

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

- An effective 55% equity interest in VECO, which is the second largest privately-owned distribution utility in the Philippines in terms of customers and annual GWh sales and is the largest distribution utility in the Visayas region;
- 100% equity interest in each of Davao Light and Cotabato Light. Davao Light is the third largest privately owned distribution utility in the Philippines in terms of customers and annual GWh sales;
- An effective 64% ownership interest in Subic EnerZone Corporation (SEZ), which manages the Power Distribution System (PDS) of the Subic Bay Metropolitan Authority (SBMA); and
- An effective 44% ownership interest in San Fernando Electric Light and Power Co., Inc. (SFELAPCO), which holds the franchise to distribute electricity in the city of San Fernando, Pampanga, in Central Luzon and its surrounding areas.

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

On April 20, 2007, AboitizPower acquired 50% of the outstanding capital stock of East Asia Utilities Corporation (EAUC) from El Paso Philippines Energy Company, Inc. (El Paso Philippines). EAUC operates a Bunker C-fired plant with a capacity of 50 MW within the Mactan Export Processing Zone I (MEPZ I) in Mactan Island, Cebu. On the same date, the Company also acquired from EAUC 60% of the outstanding common shares of Cebu Private Power Corporation (CPPC). CPPC operates a 70-MW Bunker C-fired plant in Cebu City.

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

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

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

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

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

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

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

On May 26, 2009, AP Renewables, Inc. (APRI), a wholly owned Subsidiary of AboitizPower, took over the ownership and operations of the 289-MW Tiwi geothermal power facility in Albay and the 458-MW Makiling-Banahaw geothermal power facility in Laguna (collectively referred to as the "Tiwi-MakBan geothermal facilities") after winning the competitive bid conducted by PSALM on July 30, 2008. The Tiwi-MakBan geothermal facilities have a sustainable capacity of approximately 462 MW.

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

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

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

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

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

On March 31, 2014, Therma Power-Visayas, Inc. (TPVI) was declared the highest bidder for the privatization of the Naga Power Plant Complex (NPPC) located in Colon, Naga City, Province of Cebu. SPC Power Corporation (SPC), the other bidder, exercised its right-to-top (RTT) under the Naga Power Plant Land-Based Gas Turbine Land Lease Agreement (LBGT-LLA), and PSALM declared SPC as the winning bidder. Senator Sergio R. Osmena III filed a petition for certiorari and prohibition to enjoin PSALM from implementing SPC's RTT, and to have the said RTT declared null and void. PSALM, SPC and TPVI were impleaded as respondents. In its September 28, 2015 Decision, the Supreme Court declared SPC's RTT as null and void, and annulled and set aside the Asset Purchase Agreement (APA) and LLA for the NPPC. SPC filed Motions for Reconsideration. TPVI is now awaiting resolution on the pending motions and of the finality of the decision.

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

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

On August 28, 2014, AboitizPower, through its Subsidiary TPI, signed a Shareholders' Agreement allowing Vivant Integrated Generation Corporation (VIGC) of the Garcia Group to own no more than 20% of the issued and outstanding shares of Therma Visayas, Inc. (TVI).

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

In November 2014, AboitizPower through its holding company for its renewable assets, Aboitiz Renewables, Inc. (ARI), entered into a joint framework agreement with SunEdison, Inc. (SunEdison) to jointly explore, develop, construct and operate utility scale solar photovoltaic power generation projects in the Philippines for the next three years. The projects intend to swiftly bring cost-effective solar energy to the country. On August 18, 2015, ARI and SunEdison signed shareholders' agreements to formalize the equity sharing, governance structure, and other terms and conditions of the ARI and SunEdison partnership in Maaraw Holdings San Carlos, Inc. The joint venture company, which is 60% owned by ARI, will undertake the acquisition, development and exploration of the 59-MWp solar photovoltaic power generation project in San Carlos City, Negros Occidental. The parties awarded the Engineering, Procurement and Construction (EPC) contract for the project to Nari Group Corporation.

On September 18, 2015, TSI declared full commercial operations of the first of its two 150-MW units of the planned 300-MW circulating fluidized bed (CFB) coal-fired power plants in Davao del Sur. TSI's Unit 1

delivered contracted power to more than 20 customers consisting of electric cooperatives and distribution utilities all over Mindanao. TSI's Unit 2 started full commercial operations on February 2, 2016.

AboitizPower is also undertaking business expansion in Asia, starting off with hydro and geothermal plant projects in Indonesia. On September 21, 2015, AboitizPower's wholly owned Singapore-based Subsidiary, AboitizPower International Pte. Ltd., entered into an agreement with PT Medco Power Indonesia to participate in the exploration and development of a potential 2x55 MW greenfield geothermal plant in East Java Province, Indonesia. On September 25, 2015, AboitizPower also entered into an agreement with SN Power 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.

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

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

GENERATION OF ELECTRICITY

Since its incorporation in 1998, AboitizPower has accumulated interests in both renewable and non-renewable generation plants. As of December 31, 2015, approximately 79% of AboitizPower's net income from business segments is derived from its power generation business. AboitizPower conducts its power generation activities through its Subsidiaries, Associates and Joint Ventures.

The table below summarizes the Generation Companies' operating results as of December 31, 2015 compared to same periods in 2014 and 2013:

Generation Companies	Energy Sold 2015	Energy Sold 2014	Energy Sold 2013	Revenue 2015	Revenue 2014	Revenue 2013
	(in GWh)			(in mn Pesos)		
APRI	2,643	2,772	2,878	10,714	12,397	13,880
Hedcor	154	156	160	800	814	838
LHC	248	263	241	712	733	680
Hedcor Sibulan	212	239	232	1,260	1,352	1,249
Hedcor Tudaya	33	32	0	187	165	0
Hedcor Sabangan	39	N/A	N/A	228	N/A	N/A
SN Aboitiz Power - Magat	762	754	1,030	6,223	5,769	9,939
SN Aboitiz Power - Benguet	819	844	629	6,549	6,692	8,448
TLI	5,124	4,706	4,515	20,455	20,093	20,250
TSI*	436	N/A	N/A	1,745	N/A	N/A
Cebu Energy	1,713	1,494	1,477	8,109	8,037	7,699
STEAG Power	1,671	1,207	1,458	4,811	4,298	5,007
WMPC	644	597	553	1,430	1,442	1,373
SPPC	292	334	308	709	743	709
CPPC	159	140	164	1,465	1,704	1,801
EAUC	117	123	106	936	1,205	1,066
TMI	1,205	845	843	6,437	6,844	6,415
TMO	308	327	36	3,231	3,996	387
Davao Light**	0	0	0	Revenue Neutral	Revenue Neutral	Revenue Neutral
Cotabato Light**	0	0	0	Revenue Neutral	Revenue Neutral	Revenue Neutral

** Commercial operations of Unit 1 only.*
*** Plants are operated as stand-by plants and are revenue neutral, with costs for operating each plant recovered by Davao Light and Cotabato Light, as the case may be, as approved by the ERC.*

Renewables

Aboitiz Renewables, Inc. (ARI)

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

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

- 100% equity interest in Luzon Hydro Corporation (LHC), which operates the 70-MW Bakun AC HEPP in Ilocos Sur in northern Luzon;
- 100% equity interest in Hedcor, which operates 16 mini-hydroelectric plants (each with less than 10 MW in installed capacity) with a total capacity of 42 MW located in Benguet province in northern Luzon and in Davao City in southeastern Mindanao;
- 100% equity interest in Hedcor Sibulan, Inc. (Hedcor Sibulan), which operates the 49-MW Sibulan and Tudaya 1 HEPP in Davao del Sur;
- 100% equity interest in Hedcor Tamugan, Inc. (Hedcor Tamugan), which proposes to build the 11.5-MW Tamugan HEPP along Tamugan River in Davao City;
- 100% equity interest in Hedcor Tudaya, Inc. (Hedcor Tudaya), which operates the 7-MW Tudaya 2 HEPP in Davao del Sur;
- 100% equity interest in Hedcor Sabangan, Inc. (Hedcor Sabangan), which is currently building the 14-MW Sabangan run-of-river HEPP in Sabangan, Mountain Province;
- 100% equity interest in Hedcor Bukidnon, Inc. (Hedcor Bukidnon), which will build a 68-MW run-of-river HEPP in Manolo Fortich, Bukidnon;
- 83.33% equity interest in Manila-Oslo Renewable Enterprise, Inc. (MORE), which owns SN Aboitiz Power- Magat, the company that operates the 360-MW Magat HEPP in Isabela in northern Luzon and SN Aboitiz Power-Benguet, the company that operates the 231-MW Ambuklao-Binga HEPP complex in northern Luzon; and
- 100% equity interest in APRI, which owns the 390-MW Tiwi-MakBan geothermal facilities located in Albay, Laguna and Batangas;
- 60% equity interest in Maaraw Holdings San Carlos, Inc. (Maaraw San Carlos) which owns San Carlos Sun Power, Inc. (Sacasun), the project company of the 59 MWp utility-scale solar photovoltaic solar project located in San Carlos, Negros Occidental.

Run-of-River Hydros

Luzon Hydro Corporation (LHC)

Up until May 10, 2011, LHC was ARI's joint venture with Pacific Hydro of Australia, a privately-owned Australian company that specializes in developing and operating power projects utilizing renewable energy sources, principally water and wind power. At present, AboitizPower effectively owns 100% of LHC through its wholly owned Subsidiary, ARI.

ARI, LHC and Pacific Hydro signed a MOA to give ARI full ownership over LHC on March 31, 2011. ARI assumed full ownership and control of LHC on May 10, 2011 upon fulfillment of certain conditions in the MOA.

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

Amlan Power Holdings Corporation was awarded the IPPA contract for the Bakun Plant following a competitive bidding process conducted by PSALM.

After securing consent from NPC, LHC shutdown and rehabilitated approximately 900 meters of unlined tunnel of the Bakun Plant. The rehabilitation was completed in September 2012. LHC is currently set to replace two 15-year old power transformers to continuously produce clean and renewable energy to the Luzon grid.

Hedcor, Inc. (Hedcor)

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

In 2005, ARI consolidated all of its mini-hydroelectric generation assets, including those developed by HEDC and Cleanergy in Hedcor. As a result, Hedcor owns, operates and manages run–of–river hydropower plants in northern Luzon and Davao with a combined installed capacity of 42 MW. The electricity generated from Hedcor's hydropower plants are taken up by NPC, APRI, Davao Light and Benguet Electric Cooperative (BENECO) pursuant to Power Purchase Agreements (PPAs) with the said off-takers. The remaining electricity is sold through the Wholsale Electricity Spot Market (WESM).

Northern Luzon's climate is classified as having two pronounced seasons - dry from November to April and wet for the rest of the year. Due to this classification, generation levels of Hedcor's plants, particularly those located in northern Luzon, are typically lower during the first five months of each year. During the full years 2014 and 2015, Hedcor's hydropower plants generated a total of 156 gigawatt hours (GWh) and 153 GWh of electricity, respectively. The energy generated in 2015 was lower compared to 2014, which can be attributed to a generally dry year.

Hedcor Sibulan, Inc. (Hedcor Sibulan)

Hedcor Sibulan is the project company for the Sibulan hydropower project (Sibulan Project). AboitizPower, together with its wholly owned subsidiary, ARI, effectively owns 100% interest in Hedcor Sibulan.

The Sibulan Project, which broke ground on June 25, 2007, entailed the construction of two run-of-river hydropower plants, Sibulan Hydro A and Sibulan Hydro B, harnessing the Sibulan and Baroring rivers in Santa Cruz, Davao del Sur. The 26-MW Sibulan Hydro B plant started commercial operations in March 2010. The 16.5-MW Sibulan Hydro A plant was completed in September 2010. The Certificate of Compliance (COC) for both Sibulan Hydro A and B plants were renewed with the ERC last May 18, 2015.

Hedcor Sibulan is part of a consortium that won the competitive bidding for the 12-year Power Supply Agreement (PSA) to supply new capacity to Davao Light. All the energy generated by Hedcor Sibulan power plants are supplied to Davao Light pursuant to the PSA signed on March 7, 2007. The Sibulan Project is registered as a Clean Development Mechanism (CDM) project with the United Nations Framework Convention on Climate Change (UNFCCC) under the Kyoto Protocol. The Sibulan Project was issued 136,000 tons of carbon credits which will eventually be sold in the carbon market.

Hedcor Sibulan is also the project company of the 6.7-MW Tudaya Hydro 1 plant. Tudaya Hydro 1 has been commercially operating after receiving the COC from the ERC on March 10, 2014. The energy produced by Tudaya Hydro 1 is sold to Davao Light through a PSA signed in 2007.

Hedcor Tamugan, Inc. (Hedcor Tamugan)

Hedcor Tamugan is the project company organized to build the proposed Tamugan run-of-river hydropower project. AboitizPower, together with its wholly owned Subsidiary, ARI, effectively 100% interest in Hedcor Tamugan.

In 2010, Hedcor Tamugan entered into a compromise agreement with the Davao City Water District to settle the dispute on the Tamugan water rights. Originally planned as a 27.5-MW run-of-river facility, Hedcor Tamugan proposed the construction of a 12-MW hydropower plant. After Hedcor Tamugan secures all the required permits, the two-year construction period will commence.

Hedcor Tudaya, Inc. (Hedcor Tudaya)

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

Hedcor Tudaya has been commercially operating since March 2014. Pursuant to Republic Act No. 9513 or the Renewable Energy Act of 2008 (RE Law), a composite team from the DOE validated the eligibility of Tudaya Hydro 2 as a Feed-in Tariff (FIT)-eligible plant. DOE subsequently endorsed Tudaya Hydro 2's FIT eligibility to the ERC. The ERC issued a FIT-eligible COC to the plant on June 15, 2015. The Tudaya Hydro 2 is currently selling under the FIT mechanism through a Renewable Energy Supply Agreement with Davao del Sur Electric Cooperative, and through a Renewable Energy Payment Agreement with National Transmission Corporation (Transco).

Hedcor Sabangan, Inc. (Hedcor Sabangan)

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

The project broke ground in June 2013, after it was granted all the permits and licenses in the first quarter of 2013 and was estimated to cost ₱1.7 bn. A composite team from the DOE validated the eligibility of the Sabangan Hydro plant as FIT-eligible plant, and subsequently endorsed its FIT eligibility to the ERC. The ERC issued the FIT-eligible COC to the Sabangan Hydro Plant on June 2, 2015. It is currently selling under the FIT mechanism through a Renewable Energy Payment Agreement with Transco.

Hedcor Bukidnon, Inc. (Hedcor Bukidnon)

Hedcor Bukidnon is the project company of the proposed 68.8-MW Manolo Fortich hydropower plant project located in Manolo Fortich, Bukidnon. AboitizPower, together with its wholly owned Subsidiary, ARI, effectively owns 100% interest in Hedcor Bukidnon.

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

On September 2015, Hedcor Bukidnon obtained loans and credit accommodations from a consortium of lender-banks in the amount of up to ₱10 bn to finance the development, construction, operation and maintenance of its hydropower plant project. BPI Capital Corporation acted as Mandated Lead Arranger

and Bookrunner, while Bank of the Philippine Islands - Asset Management and Trust Group is acting as Trustee and Facility Agent.

Large Hydros

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

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

The Magat Plant, which is located at the border of Isabela and Ifugao in northern Luzon, was completed in 1983. As a hydroelectric facility that can be started up in a short period of time, the Magat Plant is ideally suited to act as a peaking plant with opportunities to capture the significant upside potential that can arise during periods of high demand. This hydroelectric asset has minimal marginal costs, granting it competitive advantage in terms of economic dispatch order versus other fossil fuel-fired power plants that have significant marginal costs.

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

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

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

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

SN Aboitiz Power-Magat completed the half-life refurbishment of the last unit of the Magat Plant (Unit 1) in June 2014. In 2009, SN Aboitiz Power-Magat began the refurbishment project of Unit 2. Work on Unit 4 followed in November 2010 and was completed in 2011, while the refurbishment of Unit 3 was completed in August 2013. These projects involved the replacement of power transformers and related equipment, as

well as automation of its control systems. These aimed to overhaul the plant's electro-mechanical equipment and avert operational inefficiencies that usually occur in HEPPs after more than 25 years of operation. Half-life refurbishment is good industry practice to ensure that the plants remain available throughout their lifespan.

SN Aboitiz Power-Magat's sold capacity in 2015 is unchanged at 1.5 Terrawatt-hour (TWh) since 2014. Lower spot energy generation was offset by higher AS sold capacity.

In March 2013, SN Aboitiz Power-Magat and NGCP signed an AS Procurement Agreement (ASPA) for firm contracted capacities covering regulating and contingency reserves at 155 MW. The ASPA, which provides for additional AS for the balance of the Magat Plant's capacity, is valid for three years from the issuance of a provisional or final approval by the Energy Regulatory Commission (ERC). The ERC issued a Provisional Authority (PA) in relation to the new ASPA, paving the way for the implementation thereof starting July 26, 2013. SN Aboitiz Power-Magat filed a Motion for Reconsideration for the Magat ASPA which remains unresolved while the final approval is still pending. In November 2015, SN Aboitiz Power-Magat was re-certified as an AS provider.

SN Aboitiz Power-Magat also received in December 2015 the COC from the ERC for all four 90 MW units of the Magat Plant. The COC is valid for five years or until November 28, 2020. SN Aboitiz Power-Magat's previous COC expired last November 29, 2015.

The Magat Plant generated 608,992 MWh in 2015 and had a forced outage of 227.04 hours caused mainly by excitation and stator faults on Unit 3. It registered a plant availability factor of 83.66% last year, which is attributed to the refurbishment of common control system and switchyard equipment.

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

In October 2015, SN Aboitiz Power-Magat signed a MOA with the National Irrigation Administration (NIA) for the construction of an 8.5-MW hydroelectric power plant along the Maris Main (South) Canal in Ramon, Isabela. Maris Main (South) Canal is located in Barangay Ambatali, Ramon, Isabela and is under the operation and management of NIA. The plant will utilize the irrigation water released from the Maris Re-regulating Reservoir for the Maris Main (South) Diversion Canal. The Maris dam and regulating reservoir, which form the tailwater of Magat Plant, is situated at the boundary of Alfonso Lista, Ifugao and Ramon, Isabela. Construction of the hydropower plant commenced on November 2015, and completion is targeted by November 2017. This project is covered by hydropower service contracts for the Maris Main Canal 1 awarded in 2013 by the DOE to SN Aboitiz Power- Greenfield, Inc. (SN Aboitiz Power-Greenfield). In 2015, the DOE granted the assignment of the contract from SN Aboitiz Power-Greenfield to SN Aboitiz Power-Magat.

SN Aboitiz Power-Magat has completed the feasibility study for the 390-MW Alimit hydropower complex in Ifugao Province, composed of three facilities: (i) the 120-MW Alimit hydropower plant, (ii) the 250-MW Alimit pump-storage plant, and (iii) the 20-MW Olilicon hydropower plant. This project is covered by the Renewable Energy Service Contract (RESC) granted by the DOE in July 2014. The company is presently securing required permits for the project. Efforts are now directed towards obtaining the Free Prior and Informed Consent (FPIC) from the indigenous peoples and the Environmental Clearance Certificate (ECC) from the Department of Environment and Natural Resources (DENR). Both permits are expected to be secured by mid-2016.

Construction work is ongoing for the Maris optimization project of NIA with the company as its project partner. The project aims to refurbish and improve the Maris dam structure by adding a second layer of stoplogs. This optimization project is expected to improve the operational safety of the dam's structure and add approximately 8 mn cubic meters of storage. This project aims to increase efficiency of NIA irrigation water delivery and provide flexibility to Magat hydropower plant operation. Construction is expected to be completed in the first quarter of 2016.

SN Aboitiz Power-Magat has integrated its three management systems: ISO 14001 Environmental Management System (ISO 14001), ISO 9001 Quality Management System (ISO 9001), and OHSAS 18001 Occupational Health & Safety Management System (OHSAS 18001). Internal audit was completed in June 2015 and external audit last August 2015. SN Aboitiz Power-Magat passed the audits for all three management systems. Certificates for the individual management systems (ISO 9001, ISO 14001, OHSAS 18001) were issued in November 2015.

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

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

On November 28, 2007, SN Aboitiz Power-Benguet submitted the highest bid to PSALM for the Ambuklao-Binga hydroelectric power complex, which consisted of the then 75-MW Ambuklao Plant and the formerly 140-MW Binga Plant. The Ambuklao-Binga hydroelectric power complex was turned over to SN Aboitiz Power-Benguet on July 10, 2008.

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

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

The Binga Plant obtained an ITH extension from the BOI on October 2, 2012, which was effective until August 11, 2015. The Ambuklao Plant also obtained an ITH extension on February 26, 2013, which is valid until June 30, 2018.

The Ambuklao Plant re-operated in 2011 as a 105-MW power plant following its rehabilitation and upgrading from 2008 to 2011. The plant had been shut down and put under preservation since 1999 due to damage from the 1990 earthquake.

In March 2013, SN Aboitiz Power-Benguet and NGCP signed an ASPA involving the Ambuklao Plant for firm contracted capacities covering regulating and contingency reserves at 95 MW. The ASPA provides for additional ancillary reserved services for the balance of the Ambuklao Plant's capacity. The ASPA is valid for three years from the issuance of a provisional or final approval by the ERC. Although a PA from the ERC has been obtained last June 2013, the ASPA involving the Ambuklao Plant was not immediately implemented due to some tests that need to be completed prior to the provision of AS at low loads. After completion of testing, the Ambuklao ASPA was implemented last April 2015 based on Ambuklao Plant's demonstrated capability. To date, the ERC has not yet issued a Final Approval on both Binga and Ambuklao ASPAs.

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

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

The Ambuklao Plant generated 289,997 MWh in 2015 and had a forced outage of only 6.5 hours. Its availability factor is 98.46%. On the other hand, the Binga Plant generated 218,757 MWh in 2015 and had a forced outage of 12.68 hours. Its availability factor is 95.62%.

The Binga Plant's sold capacity increased by 9% in 2015, which was attributed to higher AS approval. The capability of the Binga Plant as AS provider was re-certified in May 2015, based on a new maximum capability of 140 MW. On the other hand, the sold capacity factor of the Ambuklao Plant significantly increased by 82% compared to 2014, mainly because of the sold capacity from AS. The Ambuklao Plant started delivering AS in April 2015.

Both Ambuklao and Binga Plants began integrating its three management systems in the last quarter of 2014. In March 2015, the plants underwent and successfully passed a simultaneous management system certification audit covering ISO 9001, ISO 14001 and OHSAS 18001.

Geothermal

AP Renewables, Inc. (APRI)

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

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

APRI has successfully completed major refurbishment activities comprising 14 generation units at the Tiwi and MakBan geothermal facilities. In March 2013, APRI completed the testing of Units 5 and 6 of the MakBan geothermal power plant for 72 hours at full load, in accordance with the requirements of the APA between APRI and PSALM. APRI is currently rehabilitating one of the three Binary Plants located in MakBan. The rehabilitation and commissioning of said Binary Plant is expected to be completed in May 2016 and will generate an additional 6 MW capacity. Significant improvements in reliability and steam usage efficiency have been realized following the completion of the refurbishment activities.

On May 26, 2013, APRI's steam supply contract with the Philippine Geothermal Production Company (PGPC) shifted to a Geothermal Resources Sales Contract (GRSC). This is due to an existing provision under the Government's contract with Chevron Geothermal Philippines Holdings, Inc., where the Tiwi-MakBan facilities were bidded out under the Government's privatization program. Under the GRSC, the effective steam price payable to PGPC will be at a premium to coal prices.

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

Through the years, APRI's geothermal facilities have operated at an improved efficency level through rehabilitation programs to counteract inevitable decline in steam supply as well as plant and grid maintenance shutdowns.

Solar

Maaraw Holdings San Carlos, Inc. (Maaraw San Carlos) and San Carlos Sun Power, Inc. (Sacasun)

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

Sacasun is the joint venture company of ARI and SunEdison Philippines to jointly explore, develop, construct and operate a 59 megawatt peak (MWp) utility-scale solar photovoltaic power generation project located in San Carlos, Negros Occidental. In August 2015, Sacasun contracted Nari Group Corporation as the EPC contractor for the solar farm. Construction of this project is underway. In December 2015, Sacasun signed an Omnibus Loan and Security Agreement with BDO to secure a loan in the amount of up to ₱3.7 bn. The proceeds of the loan will be used to finance the construction, development, and operation of the project.

Non-Renewables

Therma Power, Inc. (TPI)

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

- 100% equity interest in TMI, owner and operator of 100-MW Mobile 1 barge-mounted power plant in Maco, Compostela Valley and 100-MW Mobile 2 barge-mounted power plant in Nasipit, Agusan del Norte;
- 100% equity interest in TMO, owner and operator of Mobile 3–6 barge-mounted power plants in Navotas Fishport, Manila, with a total generating capacity of 242 MW;
- 100% equity interest in TLI, the IPPA of the 700-MW contracted capacity of the Pagbilao Plant in Quezon Province;
- 50% equity interest in PEC, which is currently building a 420-MW coal-fired power plant in Pagbilao, Quezon Province;
- 100% equity interest in Therma South, Inc. (TSI), owner and operator of a 300-MW circulating fluidized bed (CFB) coal-fired plant in Toril, Davao City;
- 80% equity interest in TVI, which is currently building a 340-MW coal-fired power plant in Toledo City, Cebu;
- 26.4% effective interest in Cebu Energy, which operates a 3x82-MW coal-fired power plant in Toledo City, Cebu;
- 25% equity interest in RP Energy, which proposes to build and operate a 600 MW coal-fired power plant in Redondo Peninsula in the Subic Bay Freeport Zone (SBFZ); and
- 100% equity interest in TPVI, the project company that bidded for the privatization of the Naga power plant, located in Naga City, Cebu.

Oil

Therma Marine, Inc. (TMI)

TMI owns and operates Power Barges Mobile 1 (previously known as PB 118) and Mobile 2 (previously known as PB 117), which have total generating capacity of 200 MW. Mobile 1 is currently moored at Barangay San Roque, Maco, Compostela Valley, while Mobile 2 is moored at Barangay Sta. Ana, Nasipit,

Agusan del Norte. AboitizPower together with its wholly owned Subsidiary, TPI, effectively owns 100% of TMI.

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

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

Therma Mobile, Inc. (TMO)

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

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

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

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

TMO maintains that it did not withhold any capacity for the period covered, as it was physically impossible for TMO to transmit more than 100 MW to MERALCO. Although TMO's rated capacity is 234 MW (net), it could only safely and reliably deliver 100 MW during the November and December 2013 supply period because of limitations of its engines and the 115-kV transmission line. This temporary limitation of TMO's plant was confirmed during a dependable capacity testing conducted on November 21, 2013.

East Asia Utilities Corporation (EAUC)

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

AboitizPower acquired its 50% ownership interest in EAUC from El Paso Philippines on April 20, 2007. El Paso Philippines still owns the remaining 50% interest in EAUC.

Cebu Private Power Corporation (CPPC)

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

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

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

Southern Philippines Power Corporation (SPPC)

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

The SPPC Plant was developed by SPPC on a BOT basis under the terms found in its ECA with NPC. Under the ECA, NPC is required to deliver and supply the fuel necessary to operate the SPPC Plant during an 18-year cooperation period, which ends in 2016. NPC is also required to take all the electricity generated by the SPPC Plant during the cooperation period and pay SPPC, on a monthly basis, capital recovery, energy, fixed operations and maintenance (O&M), and infrastructure fees as specified in the Energy Conversion Agreement (ECA). During this cooperation period, SPPC is responsible, at its own cost, for the management, operations, maintenance and repair of the SPPC Plant.

Aside from providing the much needed capacity to southwestern Mindanao area, the SPPC Plant also performs the role of voltage regulator for General Santos City, ensuring the availability, reliability and quality of power supply in the area.

Western Mindanao Power Corporation (WMPC)

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

The WMPC Plant was developed by WMPC on a BOT basis under the terms found in its ECA with NPC. Under the ECA, NPC is required to deliver and supply to WMPC the fuel necessary to operate the WMPC Plant during an 18-year cooperation period which ended in 2015. NPC is also required to take all the electricity generated by the WMPC Plant during the cooperation period and pay WMPC on a monthly basis, capital recovery, energy, fixed O&M, and infrastructure fees as provided in the ECA. During this cooperation period, WMPC is responsible, at its own cost, for the management, operation, maintenance and repair of the WMPC Plant.

Aside from providing the much needed capacity to Zamboanga Peninsula, the WMPC Plant also performs the role of voltage regulator for Zamboanga City, ensuring the availability, reliability and quality of power supply in the area.

Coal

Therma Luzon, Inc. (TLI)

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

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

Pagbilao Energy Corporation (PEC)

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

TPI and TeaM Energy entered into a Joint Development Agreement, effective May 31, 2012, to develop, own and operate a third generating unit with a net capacity of 400 MW within the Pagbilao Plant facilities which already provided for the possibility of this new unit. PEC was formed as a separate vehicle for the third unit (Pag 3), and is intended to be a separate entity from TLI. PEC is not covered by either TLI's IPPA with PSALM, or TeaM Energy's BOT contract with NPC/PSALM. An ECC was issued by the Department of Environment and Natural Resources – Environmental Management Bureau (DENR-EMB) on June 18, 2013.

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

Therma South, Inc. (TSI)

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

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

TSI aims to alleviate the worsening power supply situation in Davao City and the entire Mindanao island. The company has met the stringent national and international environmental standards for coal-fired power plants, and has received the overwhelming endorsement of the local government units (LGUs) in the city of Davao and the municipality of Sta. Cruz in Davao del Sur.

Therma Visayas, Inc. (TVI)

TVI is the project company for the construction of the 2x150 MW CFB coal-fired power plant in Barangay Bato, Toledo City, Cebu. It was incorporated on October 15, 1997 as Vesper Industrial & Developement Corporation, a joint venture company of A. Soriano Corporation (Anscor) and Tokuyama Corporation (Tokuyama).

AboitizPower together with its wholly owned Subsidiary, TPI, effectively owns 80% of TVI. The remaining 20% is held by Garcia Group through VIGC and VEC.

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

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

In May 2014, TVI signed an EPC contract with Hyundai Engineering Co., Ltd. and Galing Power Energy Co., Inc. Construction is underway and is slightly ahead of schedule as of December 2015. Units 1 and 2 are expected to connect to the grid by the last quarter of 2017 and first quarter of 2018, respectively.

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

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

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

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

In 2012, the Cebu Energy power plant in Toledo City completed its first full year of commercial operations. The first 82 MW unit was commissioned in February 2010, while the second and third units were commissioned in the second and fourth quarter of 2010, respectively. The said power plant provides the much-needed security of the power supply of the province of Cebu and its neighboring province, Bohol. Cebu Energy also supplies power to Global Energy Supply Corporation, a RES that supplies electricity to a cement manufacturing plant, Taiheiyo Cement Philippines, Inc.

Redondo Peninsula Energy, Inc. (RP Energy)

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

RP Energy has completed the voluntary relocation of all affected residents in the site in accordance with existing Philippine rules and regulations and accepted international standards. In November 2011, RP

Energy designated the suppliers of the CFB boilers, steam turbines, generators and supporting auxiliaries that ultimately will be engaged as subcontractors by the selected EPC contractor.

RP Energy achieved several milestones in the year 2012. The company's discussions with the Subic Bay Metropolitan Authority (SBMA) on certain improvements of the key provisions of the Lease Development Agreement (LDA) have been substantially completed. The BOI also issued a Notice of Approval in favor of RP Energy for its application for registration with incentives, subject to RP Energy's acceptance of certain conditions set by the BOI. To date, RP Energy has submitted its concurrence to such conditions and is awaiting the formal registration of the project with the BOI.

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

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

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

STEAG State Power Inc. (STEAG Power)

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

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

STEAG Power was registered with the BOI as a pioneer enterprise with a six-year ITH incentive. The incentive expired on November 14, 2012. STEAG Power's COC, on the other hand, was renewed by the ERC and is effective until May 2016.

Other Generation Assets

Two of AboitizPower's distribution utilities have their own stand-by power plants. Davao Light currently maintains the 58.7-MW Bunker C-fired Bajada stand-by power plant, which is capable of supplying approximately 8% of Davao Light's requirements. Cotabato Light maintains a stand-by 9.927-MW Bunker C-fired power plant capable of supplying approximately 20% of its requirements.

Future Projects

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

DISTRIBUTION OF ELECTRICITY

The Aboitiz Group has more than 80 years of experience in the Philippine power distribution sector and has been known for innovation and efficient operations.

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

As of December 31, 2015, approximately 21% of AboitizPower's net income from business segments is derived from its power distribution business. The Distribution Utilities had a total customer base of 881,944 in 2015, 843,802 in 2014 and 809,087 in 2013.

The table below summarizes the key operating statistics of the Distribution Utilities for 2015 and the previous two years.

Company	Electricity Sold (MWh)			Peak Demand (MW)			No. of Customers		
	2015	2014	2013	2015	2014	2013	2015	2014	2013
Davao Light	2,069,127	1,981,258	1,770,738	354	344	324	351,079	331,998	315,886
Cotabato Light	131,975	119,571	121,231	25	23	25	37,697	36,297	35,137
VECO	2,585,704	2,527,846	2,417,353	475	459	433	395,689	380,851	366,606
SFELAPCO	548,365	537,544	523,789	102	99	99	94,227	91,504	88,464
SEZ	506,539	451,448	388,562	102	96	91	3,040	2,946	2,881
MEZ	120,491	123,207	118,252	22	22	21	80	82	80
BEZ	113,800	107,253	113,708	30	28	33	33	34	33
Lima Enerzone	149,770	126,524	-	26	22	-	99	90	-
Total	**6,225, 771**	**5,974,651**	**5,453,633**	**1,136**	**1,093**	**1,026**	**881,944**	**843,802**	**809,087**

Visayan Electric Company, Inc. (VECO)

VECO is the second largest privately-owned distribution utility in the Philippines in terms of customers and annual MWh sales. VECO supplies electricity to a region covering 674 square kilometers in the island of Cebu with a population of approximately 1.7 mn. To date, VECO has 18 power substations and one mobile substation that serve the electricity needs of the cities of Cebu, Mandaue, Talisay and Naga, the municipalities of Minglanilla, San Fernando, Consolacion and Liloan and the 232 barangays in the island and province of Cebu. As of December 2015, VECO's peak demand was recorded at 475 MW and is serving a total of 395,689 customers.

VECO, directly and through its predecessors-in-interest, has been in the business of distributing electricity in Cebu since 1905. In the early 1900s, the predecessors-in-interest of the Aboitiz Group acquired a 20% interest in VECO's predecessor-in-interest, the Visayan Electric Company, S.A. Since that time, the Aboitiz

Group's ownership interest in VECO has increased from 20% to its current ownership interest of 55.25%, which is held by AboitizPower.

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

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

VECO is part of the third group (Group C) of private distribution utilities to shift to performance-based-rate-setting regulation (PBR). The ERC issued its final determination on VECO's application for approval of its annual revenue requirements and Performance Incentive Scheme (PIS) under the PBR for the regulatory period July 1, 2010 to June 30, 2014. Such determination became final in May 2010.

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

VECO entered into a PPA for the purchase of electric energy from CPPC for a period of 15 years starting from the commercial operation date of the latter. In 2013, the PPA was extended for another 10 years.

To address VECO's long-term power supply requirement, VECO entered into an EPPA with Cebu Energy on October 16, 2009 for the supply of 105 MW for 25 years. The contracted capacity with Cebu Energy was subsequently increased to 121 MW in 2014, and to 141 MW in 2016 to cover the increase in demand within its franchise area.

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

On December 25, 2014, the Contract for the Supply of Electric Energy (CSEE) between VECO and PSALM expired. Consequently, VECO entered into PSAs with AESI, Vivant Energy Solutions and Unified Leyte Geothermal Energy Inc. (ULGEI) for 40 MW, 17 MW, and 5 MW baseload supply, respectively.

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

VECO's PSAs with ULGEI and TVI is pending with the ERC for approval.

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

Incorporated on October 11, 1929, Davao Light is the third largest privately-owned electric distribution utility in the country in terms of customers and annual kWh sales. With a franchise covering Davao City, areas of Panabo City, and the municipalities of Carmen, Dujali and Santo Tomas in Davao del Norte, Davao Light serves a population of approximately 1.8 mn and a total area of 3,561 square kilometers. As of December 2015, Davao Light's peak demand was recorded at 354 MW, and is serving a total of 351,079 customers. Davao Light's original franchise covering Davao City was granted in November 1930 by the Philippine Legislature for a period of 50 years. In September 2000, the Philippine Congress through RA 8960 granted Davao Light a franchise covering its current franchise area for a period of 25 years, or until September 2025.

The Aboitiz Group acquired ownership of Davao Light in 1946. Currently, AboitizPower owns 99.93% of the shares in Davao Light.

Davao Light has a 150-MVA and a 2x50-MVA substation drawing power at 138 kV.

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

Davao Light's approach to helping local economies sustain robust growth is by ensuring power reliability. It plows back a significant percentage of its annual earnings to prudent investments that upgrade its distribution network in order to meet the increasing power demand of its franchise area.

The precarious power supply situation remains to be a huge concern for Mindanao consumers. In 2014, Davao Light was constrained to implement rotating power interruptions to address the supply deficiency within the Mindanao transmission grid. An unscheduled shutdown of the STEAG Power coal plants in Villanueva, Misamis Oriental brought total darkness to the island.

Power supply continued to be a challenge in 2015. Davao Light had to implement rotating power interruptions within its franchise area as a result of various incidents such as emergency shutdown of major generating plants, reduced capabilities of major hydroelectric plants caused by the El Niño phenomenon, and the sabotage of transmission lines in Mindanao. The commencement of commercial operations of TSI's Unit 1 on September 2015 and Unit 2 on February 2016 significantly improved the power supply, thus easing the supply shortage within Davao Light's franchise area. Power supply, however, remains tight due to the impact of the extended El Niño phenomenon and the emergency shutdown of major hydroelectric power plants in Lanao del Sur. As a result of these incidences, Davao Light implemented rotating power interruption.

Davao Light utilizes contingencies designed to respond to energy deficiencies, such as tapping of embedded generators directly connected to the distribution facilities synchronized to the grid. In the event of a power crisis, Davao Light's Bunker C-fired standby plant, with an initial installed capacity of 63.4 MW, can provide an average of 40 MW on a sustaining basis, although its capacity has since decreased to 58.7 MW as a result of derating. The standby plant is capable of supplying 11% of Davao Light's electricity requirement.

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

The company's Bunker C-fired plant, Hedcor Sibulan and Talomo hydroelectric plants are embedded in the Davao Light franchise. Thus, power generated from these facilities is dispatched directly into the Davao Light distribution network without passing through the NGCP transmission lines. Due to these embedded plants, an annual savings in transmission cost amounting to ₱228 mn is passed on to its customers.

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

To keep pace with the rising demand for power and to support the uptrend of growing economies within its franchise, Davao Light signed a 100-MW PSA with TSI on October 25, 2012, and an additional 18-MW PSA with WMPC.

Davao Light implements the Interruptible Load Program (ILP) to allow small residential and commercial customers to utilize available power. The ILP is implemented during peak demand by advising ILP participants to use their own generation sets.

Cotabato Light and Power Company (Cotabato Light)

Cotabato Light supplies electricity to Cotabato City and portions of the municipalities of Datu Odin Sinsuat and Sultan Kudarat, both in Maguindanao, with a land area of 191 square kilometers. As of December 2015, Cotabato Light's peak demand was recorded at 25 MW and is serving a total of 37,600 customers.

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

As of 2015, Cotabato Light has three substations of 10 MVA, 12 MVA and 15 MVA, backed up by a 10 MVA power transformer. It is served by one 69-kV transmission line with a distribution voltage is 13.8 kV. These lines can be remotely controlled using the Supervisory Control Data Acquisition (SCADA).

Cotabato Light maintains a standby 6.55-MW Bunker C-fired plant capable of supplying approximately 20% of its franchise area requirements. This standby power plant is capable of supplying electricity in case of power supply problems with PSALM or NGCP and to stabilize voltage when necessary.

To sustain a below cap systems loss, Cotabato Light is continuously innovating its systems and processes. As of December 2015, its systems loss stands at 5.37%, lower than the systems loss cap of 8.5%, as implemented by the ERC.

Cotabato Light is part of the second batch (Group B) of private utilities to enter the PBR. The company is currently on its third regulatory period for a term of four years, commencing on April 1, 2013 until March 31, 2017, after its second regulatory period ended on March 31, 2013. A reset process should have been initiated 18 months prior to the start of the third regulatory period, but was delayed pending issuance by the ERC of an Issues Paper on the Implementation of PBR for Distribution Utilities under the Rules for Setting Distribution Wheeling Rates (RDWR). This Issues Paper aims to revisit various matters relating to

the reset process. The ERC has solicited comments from industry participants and held public consultations regarding the Issues Paper.

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

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

SFELAPCO was incorporated on May 17, 1927 and was granted a municipal franchise in 1927. In 1961, SFELAPCO was granted a legislative franchise to distribute electricity for a period of 50 years or until June 2011, when RA 3207 was passed by the Philippine Congress. SFELAPCO's current legislative franchise is granted through RA 9967, for another 25 years commencing on March 24, 2010. As of December 2015, SFELAPCO's peak demand was recorded at 107,992 kW, and is serving a total of 95,363 customers.

SFELAPCO's franchise in the City of San Fernando, Pampanga covers an area of 78.514 square kilometers. Its franchise spans 397.24 and 649.76 circuit-kilometers on its 13.8-kV and 240-volt distribution lines, respectively. Under it existing franchise, SFELAPCO supplies 35 barangays in the City of San Fernando, Barangays San Isidro and Cabalantian in Bacolor, Pampanga, 25 barangays in the municipality of Floridablanca, and two barangays in Guagua, Pampanga. This area consists of 125.0 square kilometers with approximately 135.7 and 242.08 circuit-kilometers on its 13.8-kV and 240-volt distribution lines, respectively.

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

AboitizPower has an effective interest of 43.78% in SFELAPCO.

Subic EnerZone Corporation (SEZ)

In May 2003, the consortium of AEV and Davao Light won the competitive bid to provide distribution management services to SBMA and to operate the SBFZ power distribution utility for a period of 25 years. On June 3, 2003, SEZ was incorporated as a joint venture company owned by a consortium comprised of Davao Light, AEV, SFELAPCO, Team Philippines, Okeelanta and PASUDECO to undertake the management and operation of the SBFZ power distribution utility. On October 25, 2003, SEZ was formally awarded the contract to manage SBFZ's power distribution utility, and took over operations. As of December 2015, SEZ's peak demand was recorded at 105 MW and is serving a total of 3,040 customers.

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

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

SEZ is part of the fourth batch (Group D) of private utilities to enter PBR. On July 6, 2011, the ERC released its final determination on SEZ's application for approval of its maximum average price (MAP), Annual Revenue Requirement (ARR), and PIS for the period October 2011 to September 2015. The approved MAP

for the first regulatory year, as translated into new rates per customer class, was implemented in January 2012.

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

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

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

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

Mactan Enerzone Corporation (MEZ)

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

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

MEZ sources its power from NPC pursuant to a Contract to Supply Electric Energy. Under the said contract, NPC is required to provide power to MEZ up to the amount of contracted load, which is based on the projections provided by MEPZ II locators under their respective PSCs with MEZ. As of December 2015, MEZ's peak demand was recorded at 22 MW and is serving a total of 80 customers.

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

Balamban Enerzone Corporation (BEZ)

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

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

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

In January 2011, BEZ secured firm contracts from various power suppliers such as GCGI, Cebu Energy and EAUC to ensure sufficient power supply to the different industries within the WCIP-SEZ. In the same period, BEZ became a direct member of the PEMC to avail of the power available at the WESM. As of December 2015, BEZ's peak demand was recorded at 30 MW and is serving a total of 33 customers.

Lima Enerzone Corporation (Lima Enerzone)

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

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

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

As of December 2015, Lima Enerzone's peak demand was recorded at 26 MW and is currently serving total of 100 customers.

RETAIL ELECTRICITY AND OTHER RELATED SERVICES

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

Aboitiz Energy Solutions, Inc. (AESI)

On November 9, 2009, AESI, a wholly owned Subsidiary of AboitizPower, was granted a license to act as a RES, which license was renewed on October 29, 2012 for another five years. With the start of commercial operations of Open Access on June 26, 2013, AESI served 42 customers, with a total average consumption of 107,942 MWh per month. For the year 2015, AESI had a total of 43 customers, with total energy consumption of 978 mn kWh.

In December 2014, PSALM formally turned-over the management and dispatch for the 40 MW strips of energy from the ULGPP which AESI won in the November 2013 IPPA bid. With the implementation of the January 2015 billing cycle, AESI was able to deliver a total of 327,613 MWh to its off-taker, VECO for the year 2015.

Prism Energy, Inc. (Prism Energy)

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

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

Adventenergy, Inc. (AdventEnergy)

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

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

For the year 2015, AdventEnergy supplied retail electricity to 17 customers with a total consumption of 764 mn kWh.

AboitizPower owns 100% equity interest in AdventEnergy.

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

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

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

As of December 31, 2015, SN Aboitiz Power-RES had a total Bilateral Contract Quantity (BCQ) of 1.31 terawatt hour (TWh), contributing 5% to SN Aboitiz Power Group's bilateral contract volume or 11% to its sales revenue.

In 2014, SN Power Singapore, the 40% owner of the issued and outstanding shares of SN Aboitiz Power-RES, transferred its interest to an affiliate, SN Power Netherlands pursuant to the restructuring of the SN Power Group.

FINANCIAL SERVICES

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

Union Bank of the Philippines (UnionBank)

UnionBank is a publicly-listed universal bank. It distinguishes itself through superior technology, unique branch sales, service-oriented culture and centralized backroom operations. UnionBank's superior technology allows delivery of online, real time business solutions to meet the customers' changing and

diverse needs through innovative and customized cash management products and service offerings. Its unique branch culture ensures efficient and quality service as well as mitigates operational risk. The bank's centralized operations enable it to provide responsive, scalable, and secure transaction processing.

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

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

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

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

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

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

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

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

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

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

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

PETNET, Inc. (PETNET)

PETNET was established on August 12, 1998, and is primarily engaged in providing money transfer services as a direct agent of Western Union (WU). In conjunction with Western Union Business Solutions, it likewise offers a service that allows local businesses to make international payment transactions in over 140 currencies. PETNET is a BSP-licensed remittance agent, money changer and foreign exchange dealer. Apart from the WU money transfer service, PETNET offers money changing, bills payment and cell phone loads in its company-owned locations. In the middle of 2015, PETNET started accepting and facilitating DepEd salary loans for City Savings, and intends to extend the same to Government Service Insurance System (GSIS) pension loans. AEV acquired 51% equity interest in PETNET on June 1, 2015.

FOOD MANUFACTURING

Pilmico Foods Corporation (Pilmico)

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

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

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

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

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

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

In September 2014, Pilmico broke ground on the construction of its Iligan Feed Mill 3 to answer the growing demand of feeds in the Visayas and Mindanao regions. This is an additional 124,800 MT in feed mill capacity and is expected to start commercial operation by February 2016.

To cater to the additional raw material requirements and feeds volume caused by the expansion of Feed Mill 3, Pilmico built the Inter-Island Pier 2 in December 2014, which was completed in June 2015. This new pier will resolve the bottle neck in the delivery of raw materials to Iligan and the disbursement of feeds to the other parts of Visayas and Mindanao.

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

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

Pilmico Animal Nutrition Corporation (PANC)

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

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

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

To continually grow the farms business, PANC is looking at increasing its sow level to 14,000 by 2017. This is more than twice as much the size of its farms business from its first expansion of 6,500 sow level in 2012. At this level, its monthly sales volume would reach 22,000 heads, a 70% increase from 2014 level. This would make PANC one of the biggest producers of market hogs in the country.

In December 2015, PANC started its layer farms operations. The facility in Tarlac can hold up to 173,000 egg-laying chickens that would translate to 4.16 mn eggs per month. The layer farm facility will be fully-operational by year-end 2016.

Filagri, Inc. (Filagri)

As part of the diversification plans of PANC, Filagri, Inc. (formerly Filagri Land, Inc.) became the project vehicle of PANC's low-cost feeds starting 2012, following the approval of the amendment of the purpose

clause of Filagri's Articles of Incorporation and change of its corporate name on January 26, 2012. Filagri was originally formed to hold PANC's investments in real estate properties.

Filagri is a wholly owned Subsidiary of Pilmico.

Pilmico International Pte. Ltd. (Pilmico International)

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

Pilmico VHF Joint Stock Company (Pilmico VHF)

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

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

Pilmico VHF is located in Dong Thap Province in Vietnam, and is 165 kilometers (km) away from Ho Chi Minh City. It is the fourth largest pangasius aqua feeds producer in Vietnam, with a capacity of 165,000 MT. An expansion project is on-going to increase capacity to 270,000 MT by April 2015. This will support the aqua feeds requirement of the growing fish processing business of VHC via a long-term supply agreement. VHC exports pangasius to U.S.A. and Europe.

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

REAL ESTATE

Cebu Praedia Development Corporation (CPDC)

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

Aboitiz Land, Inc. (AboitizLand)

AboitizLand, the real estate arm of the Aboitiz Group, was incorporated on June 2, 1964 under the name Central Visayan Warehousing Co., Inc. It is engaged in the design and development of distinct communities for residential, industrial and commercial use, with an ISO 9001:2008 Certificate for QMS.

After decades in operation, AboitizLand remains one of the country's most trusted real estate developers. AboitizLand has investments in residential, commercial, and industrial developments. It also engages in property management in Cebu. It currently has six residential projects in selling phase across the different product types - lot only, house and lot, and condominiums. It is the developer and operator of three economic zones, the Mactan Economic Zone II (MEZ II) in Barangay Basak, Mactan, Lapu Lapu City; the West Cebu Industrial Park (WCIP) in Balamban, Cebu, through its subsidiary, CIPDI; and LiMa Technology Center (LTC) in Malvar, Batangas. It also has four commercial projects, namely, The Persimmon Plus in

Mabolo, Cebu City; the iMez Building, Pueblo Verde, and The Outlets at Pueblo Verde, all located in Barangay Basak, Mactan, Lapu-Lapu City.

Throughout its long history, AboitizLand continuously innovates to meet the discriminating needs of diverse markets. It calls its customers *vecinos*, the Basque word for neighbor, as it strongly believes that investing in a home could be the single biggest decision in the life of a Filipino. It commits to provide each vecino with the ultimate real estate experience.

AboitizLand's brand idea is Nurturing Communities, and its tagline is "Made for Life". Both are supported by three attributes that define AboitizLand's culture and business thrusts: nurturing, assuring and enduring.

In 2013, AboitizLand acquired 60% majority stake in Lima Land. Lima Land is the owner and operator of LTC, a 570-hectare PEZA-registered industrial park located in Batangas. In February 2014, AboitizLand completed the acquisition of Lima Land through the purchase of the remaining 40% ownership interest. In 2015, AboitizLand has focused on land acquisition to expand the project and cater to growing demand for industrial lots.

AboitizLand believes that it must enter the national scene in order to achieve significant growth, while strengthening its Cebu organization to intensify market position. Growing and reinventing the organization and its products are essential steps for the company to reach its growth targets.

Cebu Industrial Park Developers, Inc. (CIPDI)

CIPDI is a joint venture company between the Aboitiz Group, through its wholly owned subsidiary AboitizLand (60%) and the Kambara Group of Japan, through its wholly owned subsidiary Tsuneishi Holdings (Cebu), Inc. (40%). It started operations in 1993, with the development and operation of WCIP in Balamban, Cebu. WCIP is a 280-hectare industrial zone, catering to medium to heavy industries such as shipbuilding, ship recycling facilities, iron and steel manufacturing plants and allied activities. WCIP currently has ten locators and employs approximately 16,500 employees.

Propriedad del Norte, Inc. (PDNI)

Incorporated on March 1, 2007, PDNI is a wholly owned Subsidiary of AboitizLand. It is engaged in the purchase and development of real estate. PDNI's current land bank stands at 59 hectares, all of which are located in Liloan, Cebu.

Lima Land, Inc. (Lima Land)

Lima Land was incorporated on October 12, 1995 by the Alsons group and Marubeni group to develop and operate the LTC, a 570-hectare economic zone in Malvar, Batangas. LTC is primarily offered to export oriented companies engaged in manufacturing and warehousing operations.

LTC is located between Lipa and Malvar, Batangas, 65 kilometers away from the Makati Central Business District. It is envisioned to be a total township project, combining the concepts of an integrated city and an environment for wholesome living.

In October 2013, AboitizLand acquired Alsons' 60% interest in Lima Land. The remaining 40% interest of Marubeni was subsequently acquired in February 2014, thereby making Lima Land a wholly owned Subsidiary of AboitizLand.

In 2015, a total of 70 hectares of land developed as expansion area was made available to new investors. Six new locators have invested inside LTC in the same year, occupying the newly developed expansion area. Infrastructure developments were also undertaken, with a focus on improving the traffic flow within LTC.

To provide more available land for new investors, an additional 100 hectares will be developed in the year 2016.

Lima Water Corporation (LWC)

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

Rehabilitation works for LWC's wastewater treatment plant was completed in 2015, with another plant currently being built. Construction of the additional deep well and ground water reservoir at the expansion areas is near completion and shall be operational by mid-2016. These infrastructure developments are done to meet the existing locators' requirements, and in anticipation of the new locators' industrial and potable water needs.

In its first year of operations after the acquisition by AboitizLand, revenue from water distribution rose by 15% from ₱54 mn in 2013 and P62 mn by the end of 2014. The company achieved higher revenue of ₱68 mn in 2015 as a result of the commencement of operations of its new locators.

Cebu District Property Enterprise Inc. (CDPEI)

Consistent with its vision for growth, AboitizLand partnered with ALI to undertake real estate projects in Cebu through CPDEI. CPDEI is a joint venture company, with each of ALI and AboitizLand having 50% equity. This partnership incorporates the strengths of both companies, as it brings together AboitizLand's deeply-rooted real estate experience in Cebu and Ayala Land's track record in developing master-planned and sustainable communities.

For its first project, CPDEI looks to transform a 15-hectare lot in Mandaue City into a mixed-use district. Targeted to be launched sometime in 2016, this development is envisioned as an impressive growth center, which will have innovative residential developments and commercial spaces with retail and office components.

INFRASTRUCTURE

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

AEV, in partnership with CRH plc, formed two investment vehicles - AEV CRH incorporated on July 22, 2015 and CRH Aboitiz incorporated on July 23, 2015.

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

On September 15, 2015, CRH Aboitiz acquired from Calumboyan Holdings, Inc., Lafarge Holdings (Philippines), Inc. and RCBM its interests in Republic Cement Services, Inc. (formerly Lafarge Cement Services Philippines, Inc.).

Republic Cement and Buildings Materials, Inc. (RCBM)

On May 3, 1955, RCBM (formerly Lafarge Republic, Inc.) was registered with the SEC primarily to engage in the manufacture, development, exploitation and sale of cement, marble and all other kinds and classes of building materials, and the processing or manufacture of materials for any industrial or commercial purposes. On February 4, 2005, the SEC approved the extension of the corporate term of RCBM for another fifty years or until May 3, 2055. On November 12, 2015, the SEC approved the change of the corporate name of the company. This is to facilitate the transition of RCBM from a Lafarge-associated entity to a CRH Aboitiz company.

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

RCBM's operating cement manufacturing plants are located in the following sites: (a) Barangays Minuyan, Norzagaray, Bulacan (Bulacan Plant); (b) Bo. Bigte, Norzagaray, Bulacan (Norzagaray Plant); (c) Bo. Mapulo, Taysan, Batangas (Batangas Plant); (d) Barangays Dulumbayan, Teresa, Rizal (Teresa Plant); and (e) Bo. Dungo-an, Danao, Cebu (Danao Plant). The Danao Plant, which is a grinding station, resumed operations in 2013.

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

Republic Cement Mindanao, Inc. (RCMI)

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

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

Republic Cement Iligan, Inc. (RCII)

Formerly Lafarge Iligan, Inc., RCII was incorporated on June 1, 1967 to acquire, own, construct, manage and operate a cement plant for the manufacture and production of all kinds of cement and cement products or by-products, including any derivatives thereof. On June 29, 2012, the SEC approved the amendment of its Articles of Incorporation to change the company's corporate name from "Iligan Cement Corporation" to "Lafarge Iligan, Inc." On October 21, 2015, the SEC approved the change of the company's corporate name from "Lafarge Iligan, Inc." to "Republic Cement Iligan, Inc.". This is to facilitate the transition of RCII from a Lafarge-associated entity to a CRH-Aboitiz company.

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

Luzon Continental Land Corporation (LCLC)

LCLC was incorporated on October 26, 1998 primarily to acquire, develop and operate land, quarries, mining rights, buildings and other real or personal property used for mining, and process all kinds of ore and cement materials. It currently leases land and supplies limestone and other raw materials to its Affiliate, RCBM. AEV CRH acquired 100% of LCLC from Calumboyan Holdings, Inc. on September 15, 2015.

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

Formerly Lafarge Cement Services (Philippines), Inc, RCSI was incorporated on August 21, 2001 to provide services to businesses and other persons, including, but not limited to, cement manufacturing, distribution and quarrying companies, and in particular, to advise upon, direct, manage where permitted by law, or provide services relating to budgetary and other controls, costing, business methods and systems, efficiency, policy, technologies, organization, reorganization, reconstruction, development, expansion, administration, supervision, personnel, purchasing, production, marketing, distribution, and sales of any company, firm, person or organization, as well as, where permitted by law, to act as manager of any such company, firm, or organization.

On September 27, 2001, the SEC approved the amendment of its Articles of Incorporation to change the company's corporate name from "Lafarge Cement Services, Inc." to "Lafarge Cement Services (Philippines), Inc." To facilitate the transition of RCSI from a Lafarge-associated entity to a CRH-Aboitiz company, the company applied for the change of its corporate name to Republic Cement Services (Philippines), Inc. The SEC approved the amendment on October 6, 2015.

On September 2015, 100% of RCSI was acquired by CRH Aboitiz. RCSI is the managing company of several businesses of RCBM, RCMI, and RCII.

Apo Agua Infrastructura, Inc. (Apo Agua)

Apo Agua is a joint venture between AEV (70%) and J.V. Angeles Corporation (JVACC) (30%). Apo Agua entered into a Joint Venture Agreement and Bulk Water Purchase Agreement with Davao City Water District (DCWD) on March 17, 2015. Apo Agua will construct the bulk water treatment facility, while DCWD will construct or upgrade the facilities necessary to receive the treated water. The bulk water treatment facility will supply 300 million liters per day (MLD), equivalent to an annual supply volume of 109.5 million cubic meters (Mcum), beginning on the second to the thirtieth year of actual operations. The overall objective of Apo Agua is to provide sustainable, reliable and safe supply of bulk water to DCWD. This will enable DCWD to improve its services to customers by providing 24/7 water availability, sufficient pressure, increased service coverage and the prevention of hazards brought about by over extraction of groundwater.

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

OTHER INVESTMENTS

AEV's other investments include holdings in: (i) aviation through AEV Aviation, Inc.; (ii) production of biogas through AseaGas; (iii) underwriting of insurable risks of AEV through Archipelago Insurance Pte. Ltd.; and (iv) bulk water treatment through Apo Agua.

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

The divestment of interest in the Abojeb Group is part of AEV's strategy to focus on its identified core businesses such as power generation and distribution, financial services, food, real estate and infrastructure. Jebsen Invest AS, AEV's long-time partner in the Abojeb Group, will continue to partner with the Aboitiz family members in their personal capacity.

Archipelago Insurance Pte. Ltd. (Archipelago Insurance)

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

As a captive insurer licensed to insure only the risks of its parent and related companies, Archipelago Insurance underwrites the insurable risks of AEV and its Subsidiaries. The classes of risks covered by the company include Property All Risk, Sabotage and Terrorism, Delay in Start-Up and Marine Hull insurance of the Aboitiz Group.

AEV International Pte. Ltd. (AEV International)

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

AEV Aviation, Inc. (AEV Av)

AEV Av holds AEV's aviation assets, including the corporate aircraft and accompanying support facilities. Incorporated on October 9, 1990 as Spin Realty Corporation, AEV Av was reorganized in late 1998 when the AEV corporate aircraft was placed under its holdings.

In September 18, 2013, the SEC approved the increase in the authorized capital stock of AEV Av to ₱502 mn, which allowed AboitizPower to infuse capital in the company.

In 2013, AboitizPower acquired equity interest in AEV through the subscription from AEV Av's increase in authorized capital stock. AEV and AboitizPower remain as the majority stockholders of the company.

To date, AEV Av has 15 employees, who are tasked to serve the aviation needs of the executives of AEV and its Subsidiaries and Affiliates all over the Philippines. AEV Av operates under the strictest safety measures and complies with all government aviation policies and the aircraft manufacturers' mandated maintenance procedures. All of AEV Av's pilots and maintenance personnel undergo rigid trainings. This ensures that AEV Av's employees are armed with the latest knowledge and skills in aviation technology.

Aseagas Corporation (AseaGas)

Incorporated on June 5, 2012, AseaGas, a wholly owned Subsidiary of AEV, was established as a waste-to-energy business. Its first project was the construction of a LBM fuel plant in the Philippines.

Production of LBM begins when methane taken from landfills or organic waste is cleaned and then liquefied into fuel for vehicles. The LBM produced is similar in specification to LNG, but produced solely from recycled organic material. To ensure availability of raw material, AseaGas entered into an agreement with Absolut Distillers, Inc., a subsidiary of LT Group Inc. (formerly: Tanduay Holdings, Inc.), for the supply of organic effluent wastewater.

Due to the slump in oil prices at the end of 2014, AseaGas shifted its business model from producing LBM fuel for vehicles to producing biogas for power generation. AseaGas, however, is open to revisiting its original plan to produce LBM fuel should the prices of oil improve.

Aseagas has an off take agreement under the Feed-In Tariff (FIT) program for biomass othe Department of Energy (DOE). The company's first project, located in Lian, Batangas, is expected to be commissioned by third quarter of 2016. AseaGas is keen to expand its existing location and build new sites using various sources of waste streams as feedstock.

(ii) Sales

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

	2015	2014	2013[1]
Gross Income	111,260	109,867	90,876
Operating Income	27,418	24,546	21,223
Total Assets	**340,118**	**280,997**	**247,088**

Note: Values in the above table are in Million Pesos

The operations of AEV and its Subsidiaries are based largely in the Philippines, except for Pilmico VHF which has its operations in Dong Thap Province in Vietnam.

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

	2015		2014		2013	
Power Distribution & Generation	85,174	76%	86,759	78%	72,055	79%
Food Manufacturing	22,768	20%	18,365	17%	16,432	18%
Financial Services	307	0%	0	0%	0	0%
Real Estate	2,733	2%	3,268	3%	1,761	2%
Infrastructure	0	0%	-	-	-	-
Parent & Portfolio	1,350	1%	2,702	2%	1,272	1%
Total Revenues	**112,332**	**100%**	**111,094**	**100%**	**91,520**	**100%**
Less: Elimination	1,072		1,226		643	
Net Revenues	**111,260**		**109,867**		**90,876**	

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

(iii) Distribution Methods of the Products or Services

POWER GENERATION AND DISTRIBUTION

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

Currently, SN Aboitiz Power-Magat, SN Aboitiz Power-Benguet and TLI have ASPAs with NGCP as AS providers to the Luzon grid. These contracts date back to March 2013. SN Aboitiz Power-Benguet delivered regulating and contingency reserves through its Binga plant, until April 2015 when its Ambuklao plant also commenced delivering reserves. TLI, on the other hand, is offering contingency reserve under its ASPA.

[1] Figures have been restated to reflect adjustments resulting from the retro-active adoption of revised Philippine Accounting Standards 19 (Employee Benefits).

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

Majority of AboitizPower's Generation Companies have transmission service agreements with NGCP for transmission of electricity directly to their customers' designated delivery points. Several generation companies have built their own transmission lines in order to directly connect to their customers. In instances where NPC is the off-taker, it takes electricity directly from the generation company's facility.

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

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

AboitizPower's wholly owned RES companies, AdventEnergy and AESI, have existing electricity supply contracts to ensure continuous supply of power to their customers. AdventEnergy has 17 customers under RESCs with terms ranging from three to seven years. In 2015, AdventEnergy delivered a total of 764 mn kWhs to its customers. As of July 2015, AdventEnergy supplied renewable energy to its customers with a total power demand of 99 MW.

AESI has 43 customers under RESCs with terms ranging from three to ten years. In 2015, AESI delivered a total of 978 mn kWhs to its customers. As of July 2015, AESI registered a total power demand of 161 MW. The company estimates an increase of up to 186 MW at the start of 2016.

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

FINANCIAL SERVICES

Union Bank of the Philippines

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

Branch Network. UnionBank and its Subsidiaries ended 2015 with 293 branches nationwide. Select branches were relocated to strategic areas situated within and outside of Metro Manila to maximize visibility and expand customer reach. The branches have user-friendly terminals and a web-based Signature Verification System (SVS), which promotes efficient processing of teller transactions. Customers can do over-the-counter (OTC) withdrawals and check encashment at any UnionBank branch. UnionBank's Check Verification System utilizes Philippine Clearing House Corporation's check images, and is instrumental in enabling fast and reliable check clearing.

ATM Network. UnionBank and its Subsidiaries' network of 294 ATMs, as of year-end 2015, supplements its branch network in providing banking services to its customers anytime, anywhere. UnionBank's

interconnection with the Megalink ATM consortium, allows cardholders access to almost 16,000 ATMs nationwide. In addition, UnionBank's ATM card functions as a VISA debit card that allows electronic purchase and payment transactions.

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

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

PETNET, Inc.

From a single location in 1998, PETNET has expanded over the years to a network of over 2,000 locations nationwide. Its initial offering has likewise grown from having only Western Union services in the beginning to money changing, bills payment, mobile loading, loan processing, and micro-insurance. PETNET continues to be the largest Western Union agent network in the Philippines.

FOOD MANUFACTURING

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

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

REAL ESTATE

As of 2015, the residential business unit comprised of 42% of total revenues of AboitizLand. Since the early 1990s, AboitizLand has been developing upper-mid to high-end residential subdivisions, focusing on horizontal (lot-only and/or house-and-lot) products.

The real estate industry has drastically grown over the past five years, moving particularly towards condominium products. In 2008, AboitizLand entered to enter a new sphere – vertical product types – by launching its first mixed-use condominium project, The Persimmon.

AboitizLand is instrumental in introducing many firsts to Cebu real estate – the New Urbanism concept of live-work-play in a large master-planned community in Pristina North; Zen living, which takes off from the spa lifestyle trend, in Kishanta; the commercial and residential 'urban village' that is The Persimmon; the introduction of shop houses as a residential product in Ajoya; fully-furnished affordable units in an all-studio residential tower which is The Persimmon Studios, and most recently, Asian Contemporary design units in Almiya.

Despite stiff local competition and the aggressive entry of national real estate developers to Cebu, AboitizLand has remained a stable performer. 2015 was another record year for AboitizLand, where it posted residential sales of ₱1.9 bn, 8% higher than 2014 sales.

Meanwhile, AboitizLand's industrial business unit was the largest contributor to revenue in 2015, comprising 50% of the total.

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

The commercial division currently focuses on neighborhood offices and lifestyle and retail hubs that complement existing industrial or residential developments. Anticipating growth in the Business Process Outsourcing (BPO) sectors, AboitizLand launched its first BPO office building, iMEZ, thereby expanding its product line. In 2013, AboitizLand successfully launched its first outlet development in Visayas and Mindanao, The Outlets at Pueblo Verde, which offers merchandise of global brands at 20%-75% discounts year-round. With the success of The Outlets, AboitizLand launched the expansion of this development in December 2015.

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

INFRASTRUCTURE

In 2014, approximately 73% of the RCBM and its Subsidiaries' (RCBM Group) cement sales were through distributors, 19% were through contractors and developers, and the remaining 8% were sales to pre-cast manufacturers and ready mix concrete companies. The RCBM Group has around 445 customers nationwide, and generated approximately 78% of its cement revenues from the Luzon region and the remaining 22% from the Mindanao and Visayas regions.

(iv) New Products/Services

POWER

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

FINANCIAL SERVICES

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

PETNET's primary service is the provision of money transfer facilities as a direct agent of Western Union. In addition, the company also offers foreign exchange services for its Western Union and walk-in clients. PETNET's foreign exchange facility, which began in 2009, has proven to be an effective service for its customers who receive international remittance denominated in US dollars. Another successful product of PETNET is Load Central, a one-stop distribution provider for retail prepaid services such as e-Load, call cards, internet cards, gaming cards and other prepaid airtime credits. Through its partnership with ICONNECT, a software company specializing in customized software development for business applications, PETNET is able to facilitate documentation orders such as National Statistics Office (NSO) birth certificates, Philippine passport renewals, Land Transportation Office – Compulsory Third Party Liability insurance, travel and accident insurance, and resort and hotel reservations.

REAL ESTATE

In 2014, with the complete acquisition of Lima Land, AboitizLand has added a third industrial park to its portfolio, the LTC in Malvar, Batangas. The 575-hectare development is currently home to 80 locators and

close to 40,000 employees. This industrial park, which is AboitizLand's first project in Luzon, marks entry into the national scene.

For its residential business unit, AboitizLand launched the newest addition to its portfolio in October 2015 with Amoa, a 50-hectare mid-market project located in Compostela, Cebu. With Amoa's successful launch, AboitizLand was able to exceed thrice the project's annual sales target.

FOOD

With Pilmico International's acquisition of Vietnamese feed mill company, VHF, which was subsequently renamed as Pilmico VHF Joint Stock Company in December 2014, the Food Group now offers aquafeeds products for the different stages of growing pangasius.

INFRASTRUCTURE

The RCBM Group manufacture and sell a wide range of quality cement products in the Philippines to satisfy the evolving needs of its customers. It also produces and/or sells aggregates and other building materials such as fly ash. Of the total revenues of the RCBM Group in 2015, cement accounts for approximately 99%. Fly ash and other aggregates account for approximately 1%.

Cement is sold primarily in 40 kilogram (kg) bags, or in bulk loaded in carriers. Bagged sales accounts for approximately 80% while bulk sales accounts for around 20% of total cement sales. Its Type 1P blended cement accounts for approximately 73% of its cement sales, Portland Type 1 accounts for around 24%, and others, for around 3%.

The RCBM Group's product range includes the following:

Bagged Product Range
RAPIDSET® (Portland Cement Type I)
REPUBLIC® PORTLAND PLUS® & FORTUNE® (Blended Cement Type IP)
MINDANAO® POZZOLAN PREMIUM™ (Blended Cement Type P)
WALLMASTER® (Masonry cement Type N)
KAPIT-BALAY (Blended Cement Type P)

Bulk Product Range
REPUBLIC® Type I (Ordinary Portland Cement)
TYPE II (Portland Cement for Moderate Sulphate Resistance and Moderate Heat)
TYPE V (Portland Cement for High Sulphate Resistance)
PORTLAND DUO® (Blended Cement Type IP)

Aggregates, which are a major ingredient in concrete and asphalt production, are sold by the RCBM Group in bulk, and loaded into dump trucks on ex-plant (pick-up) basis. Coarse aggregates (sizes G-1, 3/4, 3/8) account for approximately 69% of total aggregate sales and fine aggregates (sand - S-1) around 20%. The remaining 11% of aggregate sales is accounted for by granulars – base coarse and sub-base coarse.

The RCBM Group's aggregates are produced from dolomitic limestone found in Norzagaray, Bulacan and introduced to the market in 2014. Since then, the company's dolomitic limestone has gained recognition for its superior product quality. Quality is maintained by its new crusher lines and other system improvements. This cement mix has comparable strength to the more common basalt aggregates concrete. The RCBM Group's aggregates meet the international standards of the American Society for Testings and Materials (ASTM C-33) specifications for aggregates. Key product attributes such as consistency of size, shape, and gradation are rigorously tested to achieve the requirements of projects and customers and subject to continued reviews for further improvement.

(v) Competition

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

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

GENERATION BUSINESS

The Open Access regime, declining oil and coal prices, and new power plants have toughened competition in energy sales. Competition among RES companies will be further intensified by the upcoming reduction of the threshold for qualifying as a Contestable Customers in the Open Access regime. The current threshold of 1 MW will be reduced to 750 kW, and further down to 500 kW. Additional competition for Open Access customers can come from entities that may not generate power but have RES operations by acting as demand aggregators. In addition, RES licenses have been in existence for two and a half years. At this stage, contracts entered into by these RES are expiring. AboitizPower now faces both challenges and opportunities brought forth by these expiring contracts across the industry. AboitizPower's quality of delivery will be measured by its ability to retain contracts and to obtain quality contracts from competititors and from currently uncontracted Contestable Customers.

In 2015, AboitizPower added 150 MW of baseload capacity in Mindanao through TSI, and 14MW of intermittent capacity in northern Luzon through Hedcor Sabangan. Its ongoing projects, which are set to go online between 2016 to 2018, will further add 1,037 MW to the country's generation capacity. These projects will go head on in competition with other competitor projects that ensued from the potentialshortfall in energy that was trumpeted a few years back. Futhermore, competition for and from new power projects may increase in line with the expected long-term economic growth of the Philippines.

AboitizPower is adding solar power energy in its renewable energy portfolio through Sacasun in Negros Occidental, a joint venture partnership of AboitizPower with SunEdison Philippines. AboitizPower's portfolio consisting of different types of energy sources with a mix of renewables and non-renewables, allows for flexibility in pricing and reliability of supply, thus enhancing competitiveness.

DISTRIBUTION BUSINESS

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

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

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

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

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

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

FINANCIAL SERVICES

Union Bank of the Philippines

As of end of 2015, the Philippine Banking System (PBS) is composed of approximately 632 banking institutions, approximately 40 of which are categorized as universal and commercial banks, approximately 68 as thrift banks and approximately 524 as rural and cooperative banks. To ensure stability and resilience of the PBS, it operates within a highly-regulated environment. As such, deposit and loan products of banking institutions are highly homogenous, differentiated mainly through product pricing and service delivery.

The total resources (valued at gross of amortization, depreciation and allowance for probable losses) of the PBS stands at about ₱12.5 tn as of December 2015, up by 7.9% from the previous year. The universal and commercial banks account for 90% of the total resources. Total loan portfolio, excluding reverse repurchase agreements, expanded by 13.5% ending December 2015 at ₱6 tn.

As of December 2015, UnionBank ranks eighth largest in resources and loans, seventh in deposits and sixth in capital, per published consolidated financial statements (parent bank and financial allied subsidiaries), as reflected in the market shares shown below.

	2015[2]		2014[3]	
	Billion Pesos	%	Billion Pesos	%
Assets	432.0	3.6	439.7	3.9
Net Loans[4]	172.8	3.0	131.1	2.5
Deposits	311.8	3.4	312.2	3.7
Capital	54.8	3.6	52.0	3.8

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

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

[2] Based on Consolidated Financial Reporting Package submitted to BSP.
[3] *Supra Note 9.*
[4] Includes loans and discounts, net of general loan lost provision and reverse repurchase agreements but excludes interbank loans receivables.

acronym for "Financial Value, Operational Excellence, Customer Franchise, UnionBank Experience, and Superior Innovation".

PETNET, Inc.

PETNET faces competition with other remittance companies in terms of number of branches, novel products and services, aggressive marketing promotions and advertising, and pricing schemes. In order to address these challenges, PETNET embarked in a rapid expansion program and has undertaken a brand re-boot. It has been increasing its product and service offerings, and is now an outsourced service provider of CitySavings for the DepEd Salary Loan Program and will soon provide similar service to GSIS Pensioner's Loans. PETNET is strict in implementing compliance to the Anti-Money Laundering Act and improving its IT infrastructure from security breaches to protect its customers.

FOOD MANUFACTURING

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

REAL ESTATE

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

INFRASTRUCTURE

The main competitors of the RCBM Group are the local cement manufacturers consisting of CEMEX Philippines, Eagle Cement Corporation, Goodfound Cement Corporation, Holcim Philippines, Northern Cement Corporation, Pacific Cement Company, Inc. and Taiheiyo Cement Philippines, Inc. The cement products of the RCBM Group are currently being sold in the National Capital Region, Central, Northern and Southern Luzon, and in certain Mindanao and Visayas markets where local cement manufacturers also operate. On aggregates, the RCBM Group competes primarily with local small-to-medium scale aggregates producers and also with small river quarry aggregates producers from the Bulacan area.

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

(vi) Sources of Raw Materials and Supplies

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

GENERATION BUSINESS

AboitizPower generates energy using four fuel types: hydropower, geothermal, coal and oil. Renewable fuel sources comprised 36% of its production in 2015, while fossil fuel accounted for 64%.

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

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

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

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

DISTRIBUTION BUSINESS

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

On December 25, 2015, the CSEEs of Davao Light and Cotabato Light with PSALM expired. Following negotiations, on December 23, 2015, Davao Light and Cotabato Light entered into PSAs with WMPC for the supply of 18 MW and 2 MW, respectively. These PSAs are currently pending the ERC's approval. Due to significant reduction of PSALM contracts, both Distribution Utilities bidded out their peak and base load requirements in 2015 to address the supply shortage.

VECO entered into a PPA for the purchase of electric energy from CPPC for a period of 15 years starting from the commercial operation date of the latter. In 2013, the PPA was extended for another 10 years.
To address VECO's long-term power supply requirement, VECO entered into an EPPA with Cebu Energy on October 16, 2009 for the supply of 105 MW for 25 years. The contracted capacity with Cebu Energy was subsequently increased to 121 MW in 2014, and to 141 MW in 2016 to cover the increase in demand within its franchise area.

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

On December 25, 2014, the CSEE between VECO and PSALM expired. Consequently, VECO entered into PSAs with AESI, Vivant Energy Solutions and Unified Leyte Geothermal Energy Inc. (ULGEI) for 40 MW, 17 MW, and 5 MW baseload supply, respectively.

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

VECO's PSAs with ULGEI and TVI is pending with the ERC for approval.

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

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

Transmission Charges

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

FOOD MANUFACTURING

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

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

INFRASTRUCTURE

Purchases of Raw Materials

The principal raw materials for the manufacture of cement consist of minerals such as limestone, silica sand and shale. Cement manufacture is the result of a definite process - the crushing of minerals, grinding, mixing, calcining/sintering, cooling and adding of retarder or gypsum.

The principal raw materials for the manufacture of cement like limestone, shale and silica are either quarried from the RCBM Group's or LCLC's own sites or mining claims or purchased from local suppliers or affiliates. Other raw materials, slag, coal, other fuel and spare parts are obtained locally and abroad.

On the other hand, the principal materials for the RCBM Group's production of different sizes of aggregates and its by-products are dolomitic limestone and resulting aggregates from the crushing of dolomitic limestone. Limestone produced into aggregates is sourced from LCLC or local suppliers.

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

Energy Requirements

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

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

The RCBM Group also has its own or leased generator sets in most of its operating plants to provide back-up power in case of power shortage, interruptions or poor power quality. On November 2014, RCII signed a PSA with Powersource Philippines Energy, Incorporated (PSPI), wherein RCII invested in PSPI as a minority shareholder. This PSA is effective upon financial close of the PSPI's financing for the development, construction and operation of the power plant which will supply power to RCII, with a term of 15 years commencing from the date of commercial operations.

(vii) Major Customers

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

POWER GENERATION AND DISTRIBUTION

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

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

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

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

REAL ESTATE

AboitizLand's residential projects currently targets a range of customers from middle to upper income brackets, and are not dependent on any single customer base. It is AboitizLand's industrial division, a recurring business, operated through CIPDI, which is dependent on THC of Japan. THI, a shipbuilding facility

operator, is the main locator of WCIP, whose other smaller locators also service the operations of THC. THI is a subsidiary of THC.

OTHER SUBSIDIARIES AND AFFILIATES

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

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

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

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

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

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

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

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

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

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

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

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

(ix) Patents, Copyrights and Franchises

GENERATION BUSINESS

Power generation is not considered a public utility operation under RA 9136 or the Electric Power Industry Reform Act of 2001 (EPIRA). Thus, a franchise is not needed to engage in the business of power generation.

Nonetheless, no person or entity may engage in the generation of electricity unless such person or entity has complied with the standards, requirements and other terms and conditions set by the ERC and has received a COC from the ERC to operate a generation facility. A COC is valid for a period of five years from the date of issuance.

A generation company must ensure that all its facilities connected to the grid meet the technical design and operational criteria of the Philippine Grid Code and Philippine Distribution Code. The ERC has also issued Resolution 17 Series of 2013 "A Resolution Adopting and Approving the Rules and Procedures to Govern the Monitoring of Reliability Performance of Generating Units and Transmission System", which adopts the reliability performance indicators for generation companies and transmission system. Included in the Rules is the reporting requirement of generation companies.

Additionally, a generation company must meet the minimum financial capability standards set out in the Guidelines for the Financial Standards of Generation Companies issued by the ERC. Under the said guidelines, a generation company is required to meet a minimum annual interest cover ratio or debt service coverage ratio of 1.5x throughout the period covered by its COC. For COC applications and renewals, the same guidelines require the submission to the ERC of, among other things, comparative audited financial statements, schedule of liabilities and a five-year financial plan. For the duration of the COC, these guidelines also require a generation company to submit to the ERC audited financial statements and forecast financial statements for the next two fiscal years, among other documents. Failure by a generation company to submit the requirements so prescribed by the guidelines may be a ground for the imposition of fines and penalties.

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

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

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

Under DOE Department Circular No. 2010-03-0003 dated February 26, 2010, generation companies are enjoined to ensure the availability of its generation facilities at all times subject only to technical constraints duly communicated to the system operator in accordance with existing rules and procedures. For this purpose, generation companies shall have, among others, the following responsibilities:

(a) All generation companies shall operate in accordance with their maximum available capacity which shall be equal to the registered maximum capacity of the (aggregate) unit less: (1) forced unit outages, (2) scheduled unit outages, and (3) de-rated capacity due to technical constraints which include: (i) plant equipment related failure and ambient temperature, (ii) hydro constraints which pertain to limitation on the water elevation/turbine discharge and megawatt output of the plant, and (iii) geothermal constraints which pertain to capacity limitation due to steam quality, steam pressure and temperature variation, well blockage and limitation on steam and brine collection and disposal system;
(b) Oil-based generation companies shall maintain an adequate in-country stocks of fuel equivalent to at least 15 days of running inventory which includes shipments in transit;
(c) Coal power plants shall ensure the required 30-day coal running inventory which includes shipments in transit;

(d) During scheduled maintenance of the Malampaya natural gas facilities, all affected generation companies shall maintain at least 15 days of running inventory of alternative fuel and shall operate at full capacity;
(e) All generation companies with natural gas-fired, geothermal and hydroelectric generating plants shall submit to the DOE a monthly report on the current status and forecast of the energy sources of its generating plants;
(f) All generation companies must notify and coordinate with the system operator of any planned activity such as the shutdown of its equipment;
(g) All generation companies must immediately inform the DOE of any unexpected shutdown or de-rating of the generating facility or unit thereof; and
(h) Generation companies shall seek prior clearance from the DOE regarding any plans for deactivation or mothballing of existing generating units or facilities critical to the reliable operation of the grid.

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

Title of Document	Issued under the name of	Power Plant						Date of Issuance
		Name	Type	Location	Capacity	Fuel	Years of Service	
COC No. 13-11-GN-330-20029L	Hedcor, Inc.	Irisan 3	Hydroelectric Power Plant	Tadiangan, Tuba, Benguet	1.20 MW	Hydro	25	November 11, 2013
COC No. 13-11-GN-331-20030L	Hedcor, Inc.	Bineng 1	Hydroelectric Power Plant	Bineng, La Trinidad, Benguet	3.20 MW	Hydro	25	November 11, 2013
COC No. 13-11-GN-332-20031L	Hedcor, Inc.	Bineng 2	Hydroelectric Power Plant	Bineng, La Trinidad, Benguet	2.00 MW	Hydro	25	November 11, 2013
13-11-GN-334- 20033L	Hedcor, Inc.	Bineng 3	Hydroelectric Power Plant	Bineng, La Trinidad, Benguet	5.625 MW	Hydro	25	November 11, 2013
COC No. 13-11-GN-329-20028L	Hedcor, Inc.	Ampohaw	Hydroelectric Power Plant	Banengbeng, Sablan, Benguet	8.00 MW	Hydro	25	November 11, 2013
COC No. 13-11-GN-336-20035L	Hedcor, Inc.	Sal-angan	Hydroelectric Power Plant	Ampucao, Itogon, Benguet	2.40 MW	Hydro	25	November 11, 2013
COC No. 16-01- M-00032L	Hedcor, Inc.	Irisan 1	Hydroelectric Power Plant	Tuba, Benguet	3.8 MW	Hydro	25	January27, 2016
COC No. 11-05-GXT 286b-0331M	Hedcor, Inc.	Talomo 1	Hydroelectric Power Plant	Calinan, Davao City	1,000 kW	Hydro	20	May 9, 2011
	Hedcor, Inc.	Talomo 2	Hydroelectric Power Plant	Mintal Proper, Davao City	600 kW	Hydro	20	
	Hedcor, Inc.	Talomo 2A	Hydroelectric Power Plant	Upper Mintal, Davao City	650 kW	Hydro	20	
	Hedcor, Inc.	Talomo 2B	Hydroelectric Power Plant	Upper Mintal, Davao City	300 kW	Hydro	20	
	Hedcor, Inc.	Talomo 3	Hydroelectric Power Plant	Catalunan, Pequeño, Davao City	1,920 kW	Hydro	20	
COC No. 13-11- GN 327-20026L	Hedcor, Inc.	FLS Plant	Hydroelectric Power Plant	Poblacion, Bakun, Benguet	5.90 MW	Hydro	25	November 11, 2013
COC No. 13-11- GN 328-20027L	Hedcor, Inc.	Lon-oy	Hydroelectric Power Plant	Poblacion, Bakun, Benguet	3.60 MW	Hydro	25	November 11, 2013

Title of Document	Issued under the name of	Power Plant						Date of Issuance
		Name	Type	Location	Capacity	Fuel	Years of Service	
COC No. 11-07- GXT 17273-17584M	Hedcor Sibulan, Inc.	Darong	Diesel Engine	Brgy. Darong, Sta. Cruz, Davao del Sur	363 kW	Diesel	15	July7, 2011
COC No. 11-07- GXT 17272-17583M	Hedcor Sibulan , Inc.	Tibolo	Diesel Engine	Brgy. Tibolo, Sta. Cruz, Davao del Sur	323 kW	Diesel	15	July7, 2011
COC No. 11-07- GXT 17269-17580M	Hedcor, Inc.	Talomo 2	Diesel Engine	Proper Mintal, Davao City	20 kW	Diesel	15	July7, 2011
COC No. 11-07- GXT 17271-17582L	Hedcor, Inc.	La Trinidad (Beckel)	Diesel Engine	214 Beckel, La Trinidad, Benguet	216 kW	Diesel	15	July7, 2011
COC No. 11-07-GXT 17270 - 17581M	Hedcor, Inc.	Talomo 3	Diesel Engine	Brgy. Catalunan, Pequeño, Davao City	20 kW	Diesel	15	July7, 2011
COC No. 15-04-S-00027L	Hedcor Sabangan, Inc.	N/A	Diesel Engine	Namatec, Sabangan, Mountain Province	80 kW	Diesel	25	April 28,
GXT- 19525-20099M	Hedcor Tudaya, Inc.	N/A	Diesel	Brgy. Sibulan, Sta. Cruz, Davao del Sur	140.00 kW	Diesel	25	February 21, 2014
COC No. 15-05-M-56M	Hedcor Sibulan, Inc.	Sibulan A - Unit 1	Hydroelectric Power Plant	Brgy. Sibulan, Sta. Cruz, Davao del Sur	8.164 MW	Hydro	25	May 18, 2015
	Hedcor Sibulan, Inc.	Sibulan A - Unit 2	Hydroelectric Power Plant	Brgy. Sibulan, Sta. Cruz, Davao del Sur	8.164 MW	Hydro	25	May 18, 2015
COC No. 15-05-M-54M	Hedcor Sibulan, Inc.	Sibulan B - Unit 1	Hydroelectric Power Plant	Brgy. Sibulan, Sta. Cruz, Davao del Sur	13.128 MW	Hydro	25	May 18, 2015
	Hedcor Sibulan, Inc.	Sibulan B - Unit 2	Hydroelectric Power Plant	Brgy. Sibulan, Sta. Cruz, Davao del Sur	13.128 MW	Hydro	25	May 18, 2015
COC No. 14-03-GN 346-20102M	Hedcor Sibulan, Inc.	Tudaya 1	Hydroelectric Power Plant	Sitio Tudaya, Brgy. Sibulan, Sta. Cruz, Davao del Sur	6.65 MW	Hydro	15	March 10, 2014
COC No. 13-07- GXT 17-0017L	Luzon Hydro Corporation	Bakun AC	Hydroelectric Power Plant	Pilipil, Amilongan, Alilem, Ilocos Sur	74.80 MW	Hydro	25	July 22, 2013
COC No. 15-09-M-00023L	Hedcor Sabangan, Inc.	Sabangan Hydroelectric Power Plant	Hydroelectric Power Plant	Brgy. Namatec, Sabangan, Mountain Province	14.96 MW	Hydro	25	September 29, 2015
COC No. 15-11-M-13701M	Davao Light & Power, Co.	Bajada Diesel Power Plant	Diesel	J.P. Laurel Ave., Bajada, Davao City	58.70 MW	Diesel	20	November 26, 2015
			Blackstart		483.20 kW	Diesel	20	

Title of Document	Issued under the name of	Power Plant						Date of Issuance
		Name	Type	Location	Capacity	Fuel	Years of Service	
COC No. 11-12- GXT 15911-16153M	Cotabato Light and Power Company, Inc.	N/A	Bunker C-Fired Diesel Engine	CLPCI Compound, Sinsuat Ave., Cotabato City	9.927 MW	Diesel / Bunker C	25	December 5, 2011
			Blackstart		10 kW	Diesel	25	
COC No. 13-06-GXT 2-0002V	East Asia Utilities Corporation	N/A	Bunker C-Fired Power Plant	Barrio Ibo, Mactan Export Processing Zone 1 (MEPZ 1), Lapu-Lapu City, Cebu	49.60 MW	Bunker C	16	June 10, 2013
COC No. 13-05- GXT 1-0001V	Cebu Private Power Corporation	N/A	Bunker C-Fired Power Plant	Old VECO Compound, Brgy. Ermita, Cebu City	70.65 MW	Bunker C	25	May 27, 2013
13- 08-GXT 20-0020M	Western Mindanao Power Corporation	N/A	Bunker C-Fired Power Plant	Malasugat, Sangali, Zamboanga City	112.0 MW	Bunker C	24	August 5, 2013
		N/A	Blackstart		160 kW	Diesel	24	
COC No. 13-08- GXT 21-0021M	Southern Philippines Power Corporation	N/A	Bunker C-Fired Power Plant	Brgy. Baluntay, Alabel, Saranggani Province	61.72 MW	Bunker C/ Diesel	18	August 5, 2013
COC No. 15-11-M-2860L	SN Aboitiz Power – Magat, Inc.	Magat – Unit 1	Hydroelectric	Ramon, Isabela and A. Lista, Ifugao	90 MW	Hydro	Diesel	November 11, 2015
		Magat – Unit 2			90 MW			
		Magat – Unit 3			90 MW			
		Magat – Unit 4			90 MW			
		Magat Hydroelectric Power Plant	Blackstart		600 kW	Diesel	Diesel	
No. 13- 07-GXT 309-19969L	SN Aboitiz Power – Benguet, Inc.	N/A	Hydroelectric Power Plant	Binga HEPP, Brgy. Tinongdan Itogon, Benguet	125.80 MW	Hydro	50	July 29, 2013
COC No. 15-04-M-309L	SN Aboitiz Power – Benguet, Inc.	Binga – Unit 1	Hydroelectric Power Plant	Brgy. Tinongdan, Itogon, Benguet	35 MW	Hydro	50	April 6, 2015
		Binga – Unit 1	Hydroelectric Power Plant		35 MW			
		Binga – Unit 1	Hydroelectric Power Plant		35 MW			
		Binga – Unit 1	Hydroelectric Power Plant		35 MW			
No. 11- 08-GN 87-17671L	SN Aboitiz Power – Benguet, Inc.	Ambuklao Hydroelectric Power Plant	Hydroelectric Power Plant	Brgy. Ambuklao, Bokod, Benguet	104.55 MW	Hydro	50	August 31, 2011
			Blackstart		2.28 MW	Diesel	20	
	STEAG State Power Inc.	N/A	Coal Fired	Phividec Industrial	232.00 MW	Coal	50	May 30, 2011

Title of Document	Issued under the name of	Power Plant						Date of Issuance
		Name	Type	Location	Capacity	Fuel	Years of Service	
No. 11-05-GN 16-15880M			Emergency Generating Set	Estate, Balacanas, Villanueva, Misamis Oriental	1.25 MW	Diesel	25	
COC No. 15-03-S-00013M	STEAG State Power Inc.	N/A	Diesel Engine	Phividec Industrial Estate, Balacanas, Villanueva, Misamis Oriental	400 kW	Diesel	25	March 25, 2015
COC No. 15-05-M-00007L	AP Renewable, Inc.	Makban – Bay, Plant A, Unit 1	Geothermal Power Plant	Brgy. Bitin, Bay, Laguna	63.2 MW	Geo-thermal Steam	23	May 4, 2015
		Makban – Bay, Plant A, Unit 2			63.2 MW			
		Makban – Bay, Plant A, Unit 7			20.0 MW			
		Makban – Bay, Plant A, Unit 8			20.0 MW			
COC No. 15-05-M-00008L	AP Renewable, Inc.	Makban – Bay, Plant B, Unit 3	Geothermal Power Plant	Brgy. Limao, Tamlong, Calauan, Laguna	63.2 MW	Geo-thermal Steam	23	May 4, 2015
		Makban – Bay, Plant B, Unit 4			63.2 MW			
		Makban – Bay, Plant B, Unit 5			55.0 MW			
		Makban – Bay, Plant B, Unit 6			55.0 MW			
COC No. 15-05-M-00009L	AP Renewable, Inc.	Makban – Sto. Tomas, Plant E, Unit 9	Geothermal Power Plant	Brgy. Sta. Elena, Sto. Tomas, Batangas	20.0 MW	Geo-thermal Steam	23	May 4, 2015
		Makban – Sto. Tomas, Plant E, Unit 10			20.0 MW			
COC No. 15-11-M-00028L	AP Renewable, Inc.	Plant A, Unit 1	Geothermal Power Plant	Brgy. Naga, Tiwi, Albay	60 MW	Geo-thermal Steam	25	November 26, 2015
		Plant A, Unit 2			60 MW			
COC No. 15-11-M-286rL	AP Renewable, Inc.	Plant C, Unit 5	Geothermal Power Plant	Brgy. Cale, Tiwi, Albay	57 MW	Geo-thermal Steam	25	November 26, 2015
		Plant C, Unit 6						

Title of Document	Issued under the name of	Power Plant						Date of Issuance
		Name	Type	Location	Capacity	Fuel	Years of Service	
06- 04-GXT 286aa-14632	AP Renewable, Inc.	Ormat – Makban Binary GPP* (Binary 1)	Geothermal Power Plant	Brgy. Sta. Elena, Sto. Tomas, Batangas	2x3 MW	Geo-thermal Brine	14	April6, 2006
No. 11-04 GXT 286gg-15074M	Therma Marine, Inc.	Mobile 1 (M1)	Bunker C – Fired	Brgy. San Roque, Maco, Compostela Valley	100.33 MW	Bunker C/ Diesel	30	April 4, 2011
			Blackstart	Brgy. San Roque, Maco, Copostela Valley	1.75 MW	Diesel		
COC No. 11-04- GXT 286bb-14632M	Therma Marine, Inc.	Mobile 2 (M2)	Bunker C - Fired	Nasipit, Agusan del Norte	100.33 MW	Bunker C/ Diesel	30	April 4, 2011
			Blackstart	Nasipit, Agusan del Norte	1.75 MW	Diesel	30	
COC No. 15-09-M-00022M	Therma South, Inc.	Unit 1	Coal Fired Power Plant	Brgy. Binugao, Toril District, Davao City	150 MW	Coal	25	September 1, 2015
		Unit 2	Coal Fired Power Plant	Brgy. Binugao, Toril District, Davao City	150 MW	Coal	25	September 1, 2015

** The Ormat – MakBan Binary GPP consists of three separate binary cycle plants totaling 15.73MW capacity. Binary Plant 1 is undergoing rehabilitation and is currently applying for a new COC. Binary Plants 2 and 3 remain decommissioned.*

DISTRIBUTION BUSINESS

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

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

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

Distribution Company	Expiration Date
VECO	2030
Davao Light	2025
Cotabato Light	2039
SFELAPCO	2035
SEZ[5]	2028

MEZ, BEZ and Lima Enerzone, which operate the power distribution utilities in MEPZ II, WCIP and LTC, respectively, are duly registered with PEZA as Ecozone Utilities Enterprises. Cotabato Light's franchise was

[5] Pursuant to the Disitribution Management Service Agreement (DMSA) with the Subic Bay Metropolitan Authority.

renewed for another 25 years upon the signing of RA 10637 on June 16, 2014 by President Benigno Aquino III.

SUPPLY BUSINESS

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

FINANCIAL SERVICES

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

PETNET, a corporation engaged in money remittance, is required to obtain licenses from the BSP for its branches as well as to comply with the Anti-Money Laundering Act.

Trademarks

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

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
Cleanergy (Class No. 42)	Aboitiz Power Corporation	October 19, 2001	4-2001-07900 January 13, 2006	Application for trademark "Cleanergy"	Original Certificate of Registration for the mark CLEANERGY was issued on January 13, 2006. The 5th year Anniversary Declaration of Actual Use (DAU) was filed last December 27, 2011 with the IP Office. The 10th year Anniversary DAU and renewal of registration was filed with the IP Office on January 13, 2016.
Cleanergy and Device (Class No. 42)	Aboitiz Power Corporation	July 30, 2002	4-2002-06293 July 16, 2007	Application for trademark "Cleanergy and Device" with the representation of a light with bulb with three leaves attached to it, with the words "CLEANERGY" and a small "ABOITIZ"	Original Certificate of Registration No. 4-2002-06293 was issued on July 16, 2007. The 5th year Anniversary DAU was filed last July 15, 2013 with the IP Office.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
				diamond logo below it.	10th year Anniversary DAU and application for renewal of registration is due for filing on or before July 16, 2017.
A Better Future (Class No. 39, 40 and 42)	Aboitiz Power Corporation	April 23, 2010	4-2010-004383 November 11, 2010	Application for trademark "A Better Future"	Original Certificate of Registration was issued on November 11, 2010. The 3rd year Anniversary DAU was filed on April 23, 2013 with the IP Office. The 5th year Anniversary DAU is due for fling on or before November 11, 2016.
Better Solutions (Class No. 39, 40 and 42)	Aboitiz Power Corporation	April 23, 2010	4-2010-004384 November 11, 2010	Application for trademark "Better Solutions"	Original Certificate of Registration was issued on November 11, 2010. The 3rd year Anniversary DAU was filed on April 23, 2013 with the IP Office. The 5th year Anniversary DAU is due for filing on or before November 11, 2016.
Cleanergy Get it and Device (Class No. 39, 40 and 42)	Aboitiz Power Corporation	April 23, 2010	4-2010-004381 November 11, 2010	Application for trademark "Cleanergy Get it and Device". The word "Cleanergy" with the phrase "get it" below it with both words endorsed by representation of a thumbs up sign. The whole mark is rendered in two shades of green.	Original Certificate of Registration was issued on November 11, 2010. The 3rd year Anniversary DAU was filed on April 23, 2013 with the IP Office. The 5th year Anniversary DAU is due for filing on or before November 11, 2016.
Aboitiz Power word mark (Class 39, 40 and 42)	Aboitiz Power Corporation	April 23, 2010	4-2010-004385 November 11, 2010	Application for "AboitizPower" word mark.	Original Certificate of Registration was issued on November 11, 2010. The 3rd year Anniversary DAU was filed on April 23, 2013 with the IP Office. The 5th year Anniversary DAU is due for filing on or before to November 11, 2016.
Cleanergy got it & Device (Class 39, 40 and 42)	Aboitiz Power Corporation	April 23, 2010	4-2010-004382 November 11, 2010	Application for trademark "Cleanergy got it & device". The word "Cleanergy" with the phrase "got it" below it with both	Original Certificate of Registration was issued on November 11, 2010. The 3rd year Anniversary DAU was filed on April 23, 2013 with the IP Office.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
				words enclosed by a representation of a thumbs up sign. The whole mark is rendered in two shades of green.	The 5th year Anniversary DAU is due for filing on or before November 11, 2016.
AboitizPower Spiral Device (Class 39, 40 and 42)	Aboitiz Power Corporation	April 23, 2010	4-2010-004380 February 10, 2011	Application for trademark "AboitizPower Spiral and Device" The representation of a spiral rendered in blue.	Original Certificate of Registration was issued on February 10, 2011. The 3rd year Anniversary DAU was filed on April 23, 2013 with the IP Office. The 5th year Anniversary DAU is due for filing on or before February 10, 2017.
AboitizPower and Device (Class 39, 40 and 42)	Aboitiz Power Corporation	April 23, 2010	4-2010-004379 February 10, 2011	Application for trademark "AboitizPower and Device" The words "Aboitiz" and "Power" rendered in two shades of blue with the representation of a spiral above the words "A Better Future" below it.	Original Certificate of Registration was issued on February 10, 2011. The 3rd year Anniversary DAU was filed on April 23, 2013 with the IP Office. The 5th year Anniversary DAU is due for filing on or before February 10, 2017.
Alterspace (Class 9, 39 and 40)	Aboitiz Power Corporation	April 6, 2011	4-2011-003968 February 24, 2012	Application for "ALTERSPACE" word mark.	Original Certificate of Registration was issued on February 24, 2012. The 3rd year Anniversary DAU was filed on May 20, 2014 with the IP Office. The 5th year Anniversary DAU is due for filing on or before February 24, 2018.
Alterspace and Device (Class 9, 39 and 40)	Aboitiz Power Corporation	May 31, 2011	4-2011-006291 December 22, 2011	Application for trademark "Alterspace and Device". A globe with the words "alter" and "space" inside an arrow circling the globe and separating the words. The globe is rendered in forest green, while the words and arrow are rendered in lime green.	Original Certificate of Registration was issued on December 22, 2011. The 3rd year Anniversary DAU was filed on May 20, 2014 with the IP Office. The 5th year Anniversary DAU is due for filing on or before December 22, 2017.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
iEngage (Class No.39, 40 and 42)	Aboitiz Power Corporation	February 7, 2014	04-2014-001638 August 28, 2014	Application for "iEngage" word mark.	Original Certificate of Registration was issued on August 28, 2014. The 3rd year Anniversary DAU is due for filing on or before February 7, 2017.
Aboitiz Energy Solutions and Device (w/ color claim) (Class No. 42)	Aboitiz Energy Solutions, Inc.	January 25, 2007	4-2007-000784 September 3, 2007	Application for trademark ABOITIZ ENERGY SOLUTIONS and Device with color claim.	Original Certificate of Registration was issued on September 3, 2007. The 3rd year Anniversary DAU was filed with the IP Office on February 4, 2010. The 5th year DAU was filed with the IP Office last August 30, 2013. The 10th year DAU or application for renewal of registration is due for filing on or before September 3, 2017.
iEngage MyPortal (Class No.39,40 and 42)	Aboitiz Power Corporation	February 7, 2014	04-2014-001637 August 28, 2014	Application for "iEngage MyPortal" word mark.	Original Certificate of Registration was issued on August 28, 2014. The 3rd year Anniversary DAU is due for filing on or before February 7, 2017.
iEngage MyBill (Class No.39,40 and 42)	Aboitiz Power Corporation	February 7, 2014	04-2014-001636 August 28, 2014	Application for "iEngage MyBill" word mark.	Original Certificate of Registration was issued on August 28, 2014. The 3rd year Anniversary DAU is due for filing on or before February 7, 2017.
iEngage MyTax (Class No. 39,40 and 42)	Aboitiz Power Corporation	February 7, 2014	04-2014-001635 August 28, 2014	Application for "iEngage MyTax" word mark.	Original Certificate of Registration was issued on August 28, 2014. The 3rd year Anniversary DAU is due for filing on or before February 7, 2017.
Subic Enerzone Corporation and Logo (with color claim) (Class No. 39)	Subic Enerzone Corporation	July 6, 2006	4-2006-007306 August 20,2007	Trademark application for Subic Enerzone Corporation and Logo (blue and yellow). The mark consists of the words "SUBIC ENERZONE" in fujiyama extra bold font with the word "CORPORATION" below it, also in fujiyama font, rendered in cobalt	Original Certificate of Registration was issued on August 20, 2007. The 3rd year Anniversary DAU was filed with the IP Office on July 6, 2009. The 5th year Anniversary DAU was filed with the IP Office on June 5, 2013. The 10th year Anniversary DAU and application for renewal of registration is due

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

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
"Aboitiz Better Ways" (word mark) (Class No. 30, 31, 35, 36, 37, 39, 40 and 42)	Aboitiz Equity Ventures, Inc.	December 18, 2013	4-2013-015095 March 27, 2014	Application for trademark "Aboitiz Better Ways" (word mark)	Registration was issued on March 27, 2014. The 3rd year Anniversary DAU is due for filing on or before December 18, 2016.
"Aboitiz Better World" (word mark) (Class No. 30, 31, 35, 36, 37, 39, 40 and 42)	Aboitiz Equity Ventures, Inc.	December 18, 2013	4-2013-015094 March 27, 2014	Application for trademark "Aboitiz Better World" (word mark)	Registration was issued on March 27, 2014. The 3rd year Anniversary DAU is due for filing on or before December 18, 2016.
ABOITIZLAND GEOMETRIC SYMBOL LOGO (w/ color claim) (Class No. 35 and 37)	Aboitiz Land, Inc.	May 25, 2009	4-2009-005107 March 11, 2010	Application for trademark ABOITIZLAND GEOMETRIC SYMBOL LOGO (w/ color claim)	Registration was issued on March 11, 2010. The 3rd year Anniversary DAU was filed with the IP Office on May 21, 2012. The 5th Year Anniversary DAU was filed on March 10, 2016. The 10th year Anniversary DAU and application for renewal of registration is due for filing with the IP Office on or before March 11, 2020.
ABOITIZLAND MADE FOR LIFE AND DEVICE (w/ color claim) (Class No. 35 and 37)	Aboitiz Land, Inc.	May 25, 2009	4-2009-005108 March 11, 2010	Application for trademark ABOITIZLAND MADE FOR LIFE AND DEVICE (w/ color claim)	Registration was issued on March 11, 2010. The 3rd year Anniversary DAU was filed with the IP Office on May 21, 2012. The 5th Year Anniversary DAU was filed on March 10, 2016. The 10th year Anniversary DAU and application for renewal of registration is due for filing with the IP Office on or before March 11, 2020.
ABOITIZLAND AND DEVICE (w/ color claim) (Class No. 35 and 37)	Aboitiz Land, Inc.	May 25, 2009	4-2009-005109 March 11, 2010	Application for trademark ABOITIZLAND AND DEVICE (w/ color claim)	Registration was issued on March 11, 2010. The 3rd year Anniversary DAU was filed with the IP Office on May 21, 2012. The 5th Year Anniversary DAU was filed on March 10, 2016. The 10th year Anniversary DAU and application for renewal of registration is due for filing with the IP Office on or before March 11, 2020.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
ABOITIZLAND (word mark) (Class No. 35 and 37)	Aboitiz Land, Inc.	July 14, 2009	4-2009-006961 April 15, 2010	Application for trademark "ABOITIZLAND" (word mark)	Registration was issued on April 15, 2010. The 3rd year Anniversary DAU was filed with the IP Office on May 21, 2012. The 5th Year Anniversary DAU was filed on March 10, 2016.
"THE OUTLETS" (word mark) (Class No. 16, 35 and 37)	Aboitiz Land, Inc.	April 11, 2014	04-2014-004494	Application for trademark "THE OUTLETS" (word mark)	Registration was issued on February 26, 2015. Filing of 3rd Year DAU is due on or before April 11, 2017.
THE OUTLETS AND DEVICE (w/ color claim) (Class No. 16, 35 and 37)	Aboitiz Land, Inc.	April 11, 2014	4-2014-004493	Application for trademark THE OUTLETS AND DEVICE (w/ color claim)	Registration was issued on December 4, 2014. Filing of 3rd Year DAU is due on or before April 11, 2017.
FILIPINO NEW URBANISM (Class No. 37) PILMICO FOODS CORPORATION (Class No. 30)	Aboitiz Land, Inc. Pilmico Foods Corporation	February 23, 2015 October 26, 1998	4-2015-001949 4-1998-007886 November 28, 2005	Application for trademark "FILIPINO NEW URBANISM" Application for trademark "PILMICO FOODS CORPORATION.	Waiting for IPO's approval. Handling counsel filed the renewal of registration on Nov. 7, 2015. Waiting for IPO's issuance of Certificate of Renewal of Registration.
"SUN-MOON-STAR" (Class No. 30)	Pilmico Foods Corporation	January 2, 2002	4-2002-00524 October 2, 2006	Application for trademark "SUN-MOON-STAR "	Registration was issued on October 2, 2006. The 3rd year Anniversary DAU was filed with the IP Office on January 21, 2005. The 5th year Anniversary DAU was filed with the IP Office on May 4, 2012. The 10th year Anniversary DAU and application for renewal of registration is due for filing with the IP Office on or before October 2, 2016.
"GOLD STAR AND DEVICE" (Class No. 30)	Pilmico Foods Corporation	January 2, 2002	4-2002-000525 August 17, 2006	Application for trademark "GOLD STAR AND DEVICE"	Registration was issued on August 17, 2006. The 3rd year Anniversary DAU was filed with the IP Office on January 21, 2005. The 5th year Anniversary DAU was filed with the IP Office on May 4, 2012. The 10th year Anniversary DAU and application for renewal of registration is due

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
					for filing with IP Office on or before August 17, 2016.
"SUNSHINE" (Class No. 30)	Pilmico Foods Corporation	April 17, 1996	4-1996-127942 October 15, 2007	Application for trademark "SUNSHINE"	Registration was issued on October 15, 2007. The 3rd year Anniversary DAU was filed with the IP Office on November 29, 2001. The 5th year Anniversary DAU was filed with the IP Office on May 17, 2013. The 10th year Anniversary DAU and application for renewal of registration is due for filing with the IP Office on or before October 15, 2017.
"GLOWING SUN" (Class No. 30)	Pilmico Foods Corporation	November 13, 1998	4-1998-008409 October 2, 2006	Application for trademark "GLOWING SUN"	Registration was issued on October 2, 2006. The 3rd year Anniversary DAU was filed with the IP Office on November 13, 2001. The 5th year Anniversary DAU was filed with the IP Office on May 4, 2012. The 10th year Anniversary DAU and application for renewal of registration is due for filing on or before October 2, 2016.
"WOODEN SPOON" (Class No. 30)	Pilmico Foods Corporation	March 15, 1991	4-1991-00054939 May 4, 1993	Application for trademark "WOODEN SPOON"	Registration was issued on May 4, 1993. The 3rd year Anniversary DAU was filed with the IP Office on May 3, 1996. The 5th year Anniversary DAU was filed with the IP Office on March 22, 1999. The 10th year Anniversary was filed with the IP Office on January 7, 2004. The 15th year Anniversary was filed with the IP Office on May 4, 2009. The 20th year Anniversary was filed with the IP Office on May 4, 2013.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
					Petition for Renewal was filed on May 6, 2013. The 5th year Anniversary DAU after renewal is due for filing on or before May 4, 2019.
KUTITAP AND DEVICE (Class No. 30)	Pilmico Foods Corporation	October 26, 2001	4-2001-008098 January 17, 2005	Application for trademark "KUTITAP AND DEVICE"	Registration was issued on January 17, 2005. The 3rd year Anniversary DAU was filed with the IP Office on October 26, 2004. The 5th year Anniversary DAU was filed with the IP Office on February 18, 2011. The 10th year Anniversary DAU and renewal of registration was filed with the IP Office on January 17, 2015. The 5th year Anniversary DAU after renewal, is due for filing on or before January 17, 2021.
KUTITAP (Class No. 30)	Pilmico Foods Corporation	January 22, 2002	4-2002-000523 December 5, 2004	Application for trademark "KUTITAP"	Registration was issued on December 5, 2004. The 3rd year Anniversary DAU was filed with the IP Office on January 21, 2005. The 5th year Anniversary DAU was filed with the IP Office on January 11, 2010. The 10th year Anniversary DAU and renewal of registration was filed with the IP Office on December 4, 2014. The 5th year Anniversary DAU after renewal is due for filing on or before December 4, 2020.
MEGA STAR AND DEVICE (Class No. 30)	Pilmico Foods Corporation	August 2, 2002	4-2002-006424 November 28, 2005	Application for trademark MEGA STAR AND DEVICE	Registration was issued on November 28, 2005. The 3rd year Anniversary DAU was filed with the IP Office on August 2, 2005. The 5th year Anniversary DAU was filed with the IP Office on September 1, 2011. The 10th year Anniversary DAU and application for renewal of registration was

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
					filed on or before November 27, 2015.
SUNFLOUR AND DESIGN (Class No. 30)	Pilmico Foods Corporation	June 8, 2007	04-2007-005916 May 5, 2008	Application for trademark SUNFLOUR AND DESIGN	Registration was issued on May 5, 2008. The 3rd year Anniversary DAU was filed with the IP Office on June 8, 2010. The 5th year Anniversary DAU was filed with the IP Office on March 7, 2013. The 10th year Anniversary DAU and application for renewal of registration is due for filing on or before May 5, 2018.
PILMICO FLOUR (Class No. 30)	Pilmico Foods Corporation	December 19, 2008	4-2008-015334 July 30, 2009	Application for trademark "PILMICO FLOUR"	Registration was issued on July 30, 2009. The 3rd year Anniversary DAU was filed with the IP Office on October 18, 2011. The 5th year Anniversary DAU was filed with the IP Office on July 29, 2004. The 10th year Anniversary DAU and application for renewal of registration is due for filing on or before July 30, 2019.
PILMICO CORPORATE Logo (Class No. 30)	Pilmico Foods Corporation	December 19, 2008	4-2008-015335 November 26, 2009	Application for trademark PILMICO CORPORATE Logo	Registration was issued on November 26, 2009. The 3rd year Anniversary DAU was filed with the IP Office on October 18, 2011. The 5th year Anniversary DAU was filed with the IP Office on November 25, 2014. The 10th year Anniversary DAU and application for renewal of registration is due for filing on or before November 26, 2019.
PILMICO 'M' handshake (Class No. 30)	Pilmico Foods Corporation	October 13, 2009	4-2009-010359 August 12, 2010	Application for trademark PILMICO 'M' handshake	Registration was issued on August 12, 2010. The 3rd year Anniversary DAU was filed with the IP Office on September 11, 2012. Filing of the 5th year Anniversary DAU is due for

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
					filing on or before August 12, 2016.
"Silver Star" wordmark (Class No. 30)	Pilmico Foods Corporation	August 31, 2011	04-2011-010284 February 24, 2012	Application for trademark "Silver Star" wordmark	Registration was issued on February 24, 2012. The 3rd year Anniversary DAU was filed with the IP Office on August 22, 2014. Filing of the 5th year Anniversary DAU is due for filing on or before February 24, 2018.
Silver Star Logo (Class No. 30)	Pilmico Foods Corporation	September 13, 2011	04-2011-010919 January 31, 2012	Application for trademark Silver Star Logo	Registration was issued on January 31, 2012. The 3rd year Anniversary DAU was filed with the IP Office on September 13, 2014. Filing of the 5th year Anniversary DAU is due for filing on or before January 13, 2018
SUN STREAM HARD WHEAT FLOUR (Class No. 30)	Pilmico Foods Corporation	June 10, 2013	4-2013-006659 February 20, 2014	Application for trademark SUN STREAM HARD WHEAT FLOUR	Registration was issued on February 20, 2014. The 3rd year Anniversary DAU is due for filing on or before June 10, 2016.
SOLA ALL PURPOSE FLOUR (Class No. 30)	Pilmico Foods Corporation	June 10, 2013	4-2013-006660 February 20, 2014	Application for trademark SOLA ALL PURPOSE FLOUR	Registration was issued on February 20, 2014. The 3rd year Anniversary DAU is due for filing on June 10, 2016.
SUN RAYS HARD WHEAT FLOUR (Class No. 30)	Pilmico Foods Corporation	June 10, 2013	4-2013-006662 February 20, 2014	Application for trademark SUN RAYS HARD WHEAT FLOUR	Registration was issued on February 20, 2014. The 3rd year Anniversary DAU is due for filing on or before June 10, 2016.
STAR BEAM SOFT WHEAT FLOUR (Class No. 30)	Pilmico Foods Corporation	June 10, 2013	4-2013-006658 December 26, 2013	Application for trademark STAR BEAM SOFT WHEAT FLOUR	Registration was issued on December 26, 2013. The 3rd year Anniversary DAU is due for filing on or before June 10, 2016.
STAR BLAZE SOFT WHEAT FLOUR (Class No. 30)	Pilmico Foods Corporation	June 10, 2013	4-2013-006663 February 20, 2014	Application for trademark STAR BLAZE SOFT WHEAT FLOUR	Registration was issued on February 20, 2014. The 3rd year Anniversary DAU is due for filing on or before June 10, 2016.
LUNA CAKE FLOUR	Pilmico Foods Corporation	June 10, 2013	4-2013-006661	Application for trademark	Registration was issued on February 20, 2014.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
(Class No. 30)			February 20, 2014	LUNA CAKE FLOUR	The 3rd year Anniversary DAU is due for filing on or before June 10, 2016.
SUN STREAM HARD WHEAT FLOUR (Class No. 30)	Pilmico Foods Corporation	June 10, 2013	4-2013-006659 February 20, 2014	Application for trademark SUN STREAM HARD WHEAT FLOUR	Registration was issued on February 20, 2014. The 3rd year Anniversary DAU is due for filing on or before June 10, 2016.
PILMICO (Class No. 31)	Pilmico Foods Corporation	August 7, 2013	4-2013-00009422 December 26, 2013	Application for trademark PILMICO	Registration was issued on December 26, 2013. The 3rd year Anniversary DAU is due for filing on or before August 7, 2016.
PILMICO FLOUR (Class No. 31)	Pilmico Foods Corporation	August 7, 2013	4-2013-00009423 20-Feb-14	Application for trademark PILMICO FLOUR	Registration was issued on February 20, 2014. The 3rd year Anniversary DAU is due for filing on or before August 7, 2016.
MAHALIN PAGKAING ATIN LOGO (Class No. 29, 30 and 31)	Pilmico Foods Corporation	March 4, 2015	4-2015-002322 July 2, 2015	Application for trademark Mahalin Pagkaing Atin Logo. The mark consists of images of two eggs, bread, ham and whole dressed chicken (from left to right) in a basket is embraced by a human represented by a heart-shaped figure with a circle on top. The words Mahalin Pagkaing Atin in curvy letter forms are located below the images. The images and words are in WHITE color drawn on a CYAN background.	Registration was issued on 02 July 2015. The 3rd year Anniversary DAU is due for filing on or before March 4, 2018.
ENERBUN (Class No. 29, 30 and 31)	Pilmico Foods Corporation	March 4, 2015	4-2015-002323 July 2, 2015	Application for trademark ENERBUN.	Registration was issued on July 2, 2015. The 3rd year Anniversary DAU is due for filing on or before March 4, 2018.
ENERBUNNIES (Class No. 29, 30 and 31)	Pilmico Foods Corporation	March 4, 2015	4-2015-002324 July 2, 2015	Application for trademark ENERBUNNIES.	Registration was issued on July 2, 2015. The 3rd year Anniversary DAU is due for filing on or before March 4, 2018.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
SUN BEAM (Class No. 30)	Pilmico Foods Corporation	November 27, 2015	4-2015-013643	Application for trademark SUN BEAM	Waiting for IPO's approval.
SUNLIGHT (Class No. 30)	Pilmico Foods Corporation	November 27, 2015	4-2015-013644	Application for trademark SUNLIGHT	Waiting for IPO's approval.
KIRA (Class No. 30)	Pilmico Foods Corporation	November 27, 2015	4-2015-013645	Application for trademark KIRA	Waiting for IPO's approval.
MOON BEAM (Class No. 30)	Pilmico Foods Corporation	November 27, 2015	4-2015-013642	Application for trademark MOON BEAM	Waiting for IPO's approval.
"PIGROW" (logo with color claim) (Class No. 31 and 34)	Filagri, Inc.	February 28, 2012	4-2012-002465 September 28, 2012	Application for trademark "PIGROW" (logo with color claim)	Registration was issued on September 28, 2012. The 3rd year Anniversary DAU was filed with the IP Office on February 28, 2015. The 5th year Anniversary DAU is due for filing on or before September 28, 2018.
"PIGROW MATERNA" wordmark (Class No. 31 and 44)	Filagri, Inc.	February 28, 2012	4-2012-002463 May 24, 2012	Application for trademark "PIGROW MATERNA" wordmark	Registration was issued on May 24, 2012. The 3rd year Anniversary DAU was filed with the IP Office on April 29, 2015. The 5th year Anniversary DAU is due for filing on or before May 24, 2018.
PORK SOLUTIONS (Class No. 31)	Pilmico Animal Nutrition Corporation	January 4, 2006	4-2006-000130 August 20, 2007	Application for trademark PORK SOLUTIONS	Registration was issued on August 20, 2007. The 3rd year Anniversary DAU was filed with the IP Office on January 5, 2009. The 5th year Anniversary DAU was filed with the IP Office on October 19, 2012. The 10th year Anniversary DAU and application for renewal of registration is due for filing on or before August 20, 2017.
FARM SOLUTIONS (Class No. 31)	Pilmico Animal Nutrition Corporation	January 4, 2006	4-2006-000131 August 20, 2007	Application for trademark FARM SOLUTIONS	Registration was issued on August 20, 2007. The 3rd year Anniversary DAU was filed with the IP Office on January 4, 2009. The 5th year Anniversary DAU was filed with the IP Office on August 20, 2013.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
					The 10th year Anniversary DAU and application for renewal of registration is due for filing on or before August 20, 2017.
POULTRY SOLUTIONS (Class No. 31)	Pilmico Animal Nutrition Corporation	January 4, 2006	4-2006-000132 August 20, 2007	Application for trademark POULTRY SOLUTIONS	Registration was issued on August 20, 2007. The 3rd year Anniversary DAU was filed with the IP Office on January 5, 2009. The 5th year Anniversary DAU was filed with the IP Office on October 19, 2012. The 10th year Anniversary DAU and application for renewal of registration is due for filing on or before August 20, 2017.
CIVIC (Class No. 31)	Pilmico Animal Nutrition Corporation	August 10, 2012	4-2012-00009841 June 6, 2013	Application for trademark CIVIC	Registration was issued on June 6, 2013. The 3rd year Anniversary DAU was filed on August 10, 2015. The 5th year Anniversary DAU is due for filing on or before June 6, 2019.
TAMERA (Class No. 31)	Pilmico Animal Nutrition Corporation	August 10, 2012	4-2012-00009856 June 6, 2013	Application for trademark TAMERA	Registration was issued on June 6, 2013. The 3rd year Anniversary DAU was filed on August 10, 2015. The 5th year Anniversary DAU is due for filing on or before June 6, 2019.
PILMICO ANIMAL NUTRITION (Class No. 31)	Pilmico Animal Nutrition Corporation	August 10, 2012	4-2012-00009849 June 6, 2013	Application for trademark PILMICO ANIMAL NUTRITION	Registration was issued on June 6, 2013. The 3rd year Anniversary DAU was filed on August 10, 2015. The 5th year Anniversary DAU is due for filing on or before June 6, 2019.
AQUAMAX (Class No. 31)	Pilmico Animal Nutrition Corporation	August 10, 2012	4-2012-00009857 June 6, 2013	Application for trademark AQUAMAX	Registration was issued on June 6, 2013. The 3rd year Anniversary DAU was filed on February 10, 2016. The 5th year Anniversary DAU is due for filing on or before June 6, 2019.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
CLASSIC (Class No. 31)	Pilmico Animal Nutrition Corporation	August 10, 2012	4-2012-009844 April 14, 2013	Application for trademark CLASSIC	Registration was issued on April 14, 2013. The 3rd year Anniversary DAU was filed on August 10, 2015. The 5th year Anniversary DAU is due for filing on or before April 14, 2019.
ULTIMAX (Class No. 31)	Pilmico Animal Nutrition Corporation	August 10, 2012	4-2012-009845 April 14, 2013	Application for trademark ULTIMAX	Registration was issued on April 14, 2013. The 3rd year Anniversary DAU was filed on August 10, 2015. The 5th year Anniversary DAU is due for filing on or before April 14, 2019.
POULTRY EXPRESS (Class No. 31)	Pilmico Animal Nutrition Corporation	August 10, 2012	4-2012-009847 April 14, 2013	Application for trademark POULTRY EXPRESS	Registration was issued on April 14, 2013. The 3rd year Anniversary DAU was filed on August 10, 2015. The 5th year Anniversary DAU is due for filing on or before April 14, 2019.
ELITE (Class No. 31)	Pilmico Animal Nutrition Corporation	August 10, 2012	4-2012-009843 April 14, 2013	Application for trademark ELITE	Registration was issued on April 14, 2013. The 3rd year Anniversary DAU was filed on August 10, 2015. The 5th year Anniversary DAU is due for filing on or before April 14, 2019.
ALAS NG SALTO (Class No. 31)	Pilmico Animal Nutrition Corporation	September 25, 2012	4-2012-011803 February 28, 2013	Application for trademark ALAS NG SALTO	Registration was issued on February 28, 2013. The 3rd year Anniversary DAU was filed on August 5, 2015. The 5th year Anniversary DAU is due for filing on or before February 28, 2019.
AVE MAX (Class No. 31)	Pilmico Animal Nutrition Corporation	August 10, 2012	4-2012-009848 February 8, 2013	Application for trademark AVE MAX	Registration was issued on February 8, 2013. The 3rd year Anniversary DAU was filed on August 10, 2015. The 5th year Anniversary DAU is due for filing on or before February 8, 2019.
SALTO (Class No. 31)	Pilmico Animal Nutrition Corporation	August 10, 2012	4-2012-009850 February 8, 2013	Application for trademark SALTO	Registration was issued on February 8, 2013. The 3rd year Anniversary DAU was filed on August 10, 2015.

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
					The 5th year Anniversary DAU is due for filing on or before February 8, 2019.
ANGAT SARADO (Class No. 31)	Pilmico Animal Nutrition Corporation	August 10, 2012	4-2012-009852 February 8, 2013	Application for trademark ANGAT SARADO	Registration was issued on February 8, 2013. The 3rd year Anniversary DAU was filed on August 10, 2015. The 5th year Anniversary DAU is due for filing on or before February 8, 2019.
BASIC (Class No. 31)	Pilmico Animal Nutrition Corporation	August 10, 2012	4-2012-009853 February 8, 2013	Application for trademark BASIC	Registration was issued on February 8, 2013. The 3rd year Anniversary DAU was filed on August 10, 2015. The 5th year Anniversary DAU is due for filing on or before February 8, 2019.
LAKAS GATAS (Class No. 31)	Pilmico Animal Nutrition Corporation	August 10, 2012	4-2012-009842 February 8, 2013	Application for trademark LAKAS GATAS	Registration was issued on February 8, 2013. The 3rd year Anniversary DAU was filed on August 10, 2015. The 5th year Anniversary DAU is due for filing on or before February 8, 2019.
GALLIMAX (Class No. 31)	Pilmico Animal Nutrition Corporation	August 10, 2012	4-2012-009846 February 8, 2013	Application for trademark GALLIMAX	Registration was issued on February 8, 2013. The 3rd year Anniversary DAU was filed on August 10, 2015. The 5th year Anniversary DAU is due for filing on or before February 8, 2019.
SUPREMECON (Class No. 31)	Pilmico Animal Nutrition Corporation	March 21, 2011	4-2011-003166 July 22, 2011	Application for trademark SUPREMECON	Registration was issued on July 22, 2011. The 3rd year Anniversary DAU was filed with the IP Office on March 21, 2014. The 5th year Anniversary DAU is due for filing on or before July 22, 2017.
POWERMIX (Class No. 31)	Pilmico Animal Nutrition Corporation	June 10, 2011	4-2011-006860 January 13, 2012	Application for trademark POWERMIX	Registration was issued on January 13, 2012. The 3rd year Anniversary DAU was filed with the IP Office on June 10, 2014. The 5th year Anniversary DAU is due for filing on or before January 13, 2018.

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

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
PILMICO FARMS LOGO (Class No. 31)	Pilmico Animal Nutrition Corporation	August 7, 2013	4-2013-009415 April 17, 2014	Application for trademark PILMICO FARMS LOGO	Registration was issued April 17, 2014. The 3rd year Anniversary DAU is due for filing on or before August 7, 2016.
PILMICO FEEDS (Class No. 31 and 44)	Pilmico Animal Nutrition Corporation	August 7, 2013	4-2013-009416 April 17, 2014	Application for trademark PILMICO FEEDS	Registration was issued April 17, 2014. The 3rd year Anniversary DAU is due for filing on or before August 7, 2016.
GROWING PIG LOGO (Class No. 31 and 44)	Pilmico Animal Nutrition Corporation	August 7, 2013	4-2013-009417 April 17, 2014	Application for trademark GROWING PIG LOGO	Registration was issued on April 17, 2014. The 3rd year Anniversary DAU is due for filing on or before August 7, 2016.
GROWING CHICKEN LOGO (Class No. 31 and 44)	Pilmico Animal Nutrition Corporation	August 7, 2013	4-2013-009418 April 17, 2014	Application for trademark GROWING CHICKEN LOGO	Registration was issued on April 17, 2014. The 3rd year Anniversary DAU is due for filing on or before August 7, 2016.
GROWING QUAIL LOGO (Class No. 31 and 44)	Pilmico Animal Nutrition Corporation	August 7, 2013	4-2013-009419 April 17, 2014	Application for trademark GROWING QUAIL LOGO	Registration was issued on April 17, 2014. The 3rd year Anniversary DAU is due for filing on or before August 7, 2016.
GROWING PIGEON LOGO (Class No. 31 and 44)	Pilmico Animal Nutrition Corporation	August 7, 2013	4-2013-009420 April 17, 2014	Application for trademark GROWING PIGEON LOGO	Registration was issued on April 17, 2014. The 3rd year Anniversary DAU is due for filing on August 7, 2016.
DUCK LOGO (Class No. 31 and 44)	Pilmico Animal Nutrition Corporation	August 7, 2013	4-2013-009421 December 26, 2013	Application for trademark GROWING DUCK LOGO	Registration was issued on December 26, 2013. The 3rd year Anniversary DAU is due for filing on August 7, 2016.
POWERHEAL (Class No. 5 and 31)	Pilmico Animal Nutrition Corporation	December 16,2013	4-2013-014947 December 16, 2013	Application for trademark POWERHEAL	Trademark application was filed on December 16, 2013. Unahco, Inc. filed an opposition on April 11, 2014. Pending for IPO's resolution.
"Mata ng Bagyo." (word mark) (Class No. 42)	Weather Philippines Foundation, Inc.	April 15, 2013	4-2013-004262 October 31, 2013	Application for trademark "Mata ng Bagyo." (word mark)	Registration was issued on October 31, 2013. The 3rd year Anniversary DAU was filed on March 17, 2016.
"Weather Philippines and Logo" (with	Weather Philippines Foundation, Inc.	March 18, 2013	4-2013-002959 August 13, 2015	Application for trademark "Weather	Registration was issued on August 13, 2015

Trademarks	Applicant	Date Filed	Registration No./Date Issued	Certificate of Description	Status
color claim) (Class No. 42)				Philippines and Logo" (with color claim)	The 3rdyear Anniversary DAU was filed on March 17, 2016.
"My Philippines. My Weather." (wordmark) (Class No. 42)	Weather Philippines Foundation, Inc.	March 18, 2013	4-2013-002961 August 13, 2015	Application for trademark "My Philippines. My Weather." (wordmark)	Registration was issued on August 13, 2015. The 3rd year Anniversary DAU was filed on March 17, 2016.
"Payong Panahon" (wordmark) (Class No. 42)	Weather Philippines Foundation, Inc.	April 15, 2013	4-2013-004261 October 15, 2015	Application for trademark "Payong Panahon" (wordmark)	Registration was issued on October 15, 2015. The 3rd year Anniversary DAU was filed on March 17, 2016.
"Weather Philippines #WeatherWiser Nation" (word mark) (Class No. 42)	Weather Philippines Foundation, Inc.	December 15, 2014	4-2014-015257 July 2, 2015	Application for trademark "WeatherPhilippines #WeatherWiser Nation" (word mark)	Registration was issued on July 2, 2015. The 3rd year Anniversary DAU is due for filing on or before December 15, 2017.
Financial Services Money Transfer and Remittance (Class No. 36)	PETNET, Inc.	February 4, 2016	04-2016-001241	Application for Trademark for "Pera Hub"	Pending

International Trademarks Application (Madrid Protocol)

Trademarks	Applicant	Date Filed	Country of Application	Status
Cleanergy (Class No. 39, 40 & 42)	Aboitiz Power Corporation	June 24, 2015	Indonesia	Trademark application with the Indonesia trademark office was filed on June 24, 2015. Ongoing registration process.
Star Beam Soft Wheat Flour (#1171572) (Class No. 30)	Pilmico Foods Corporation	July 9, 2013	Singapore	The Intellectual Property Office of Singapore ("IPOS") in its Statement of Grant of Protection dated October 20, 2014 approved PFC's trademark application effective October 20, 2014 and valid for ten (10) years.
			Turkey	Turkey Intellectual Property Office issued Grant of Protection on March 10, 2015 and valid for ten (10) years.
			Vietnam	The International Bureau was notified by the Office of Vietnam of its approval for PFC's trademark application effective July 09, 2013 and valid for ten (10) years.
			South Korea	Korean Intellectual Property Office in its Statement of Grant of Protection dated May 15, 2014 approved PFC's trademark application effective July 09, 2013 and valid for ten (10) years.

Trademarks	Applicant	Date Filed	Country of Application	Status
			Singapore	The Intellectual Property Office of Singapore ("IPOS") in its Statement of Grant of Protection dated October 20, 2014 approved PFC's trademark application effective October 20, 2014 and valid for ten (10) years.
Sun Stream Hard Wheat Flour (#1173340) (Class No. 30)	Pilmico Foods Corporation	July 9, 2013	Singapore	The Intellectual Property Office of Singapore ("IPOS") in its Statement of Grant of Protection dated October 20, 2014 approved PFC's trademark application effective October 20, 2014 and valid for ten (10) years.
			Turkey	The Turkish Patent Institute Trademarks Department in its Statement dated 10 September 2014 granted protection to PFC's trademark application effective September 10, 2014 and valid for a ten (10) years.
			Vietnam	The International Bureau was notified by the Office of Vietnam of its approval for PFC's trademark application effective July 09, 2013 and valid for ten (10) years.
			South Korea	Korean Intellectual Property Office in its Statement of Grant of Protection dated May 15, 2014 approved PFC's trademark application effective July 09, 2013 and valid for ten (10) years.
Star Blaze Soft Wheat Flour (#1173338) (Class No. 30)	Pilmico Foods Corporation	July 9, 2013	Singapore	The Intellectual Property Office of Singapore ("IPOS") in its Statement of Grant of Protection dated October 20, 2014 approved PFC's trademark application effective Sept 16, 2014 and valid for ten (10) years.
			Turkey	The Turkish Patent Institute Trademarks Department in its Statement dated 10 September 2014 granted protection to PFC's trademark application effective September 10, 2014 and valid for a ten (10) years.
			Vietnam	The International Bureau was notified by the Office of Vietnam of its approval for PFC's trademark application effective July 09, 2013 and valid for ten (10) years.
			South Korea	Korean Intellectual Property Office in its Statement of Grant of Protection dated May 15, 2014 approved PFC's trademark application effective July 09, 2013 and valid for ten (10) years.

Trademarks	Applicant	Date Filed	Country of Application	Status
Sun Rays Hard Wheat Flour (#1173337) (Class No. 30)	Pilmico Foods Corporation	July 9, 2013	Singapore	The Intellectual Property Office of Singapore ("IPOS") in its Statement of Grant of Protection dated October 20, 2014 approved PFC's trademark application effective October 20, 2014 and valid for ten (10) years.
			Turkey	The Turkish Patent Institute Trademarks Department in its Statement dated 10 September 2014 granted protection to PFC's trademark application effective September 10, 2014 and valid for a ten (10) years.
			Vietnam	The International Bureau was notified by the Office of Vietnam of its approval for PFC's trademark application effective July 09, 2013 and valid for ten (10) years.
			South Korea	Korean Intellectual Property Office in its Statement of Grant of Protection dated May 15, 2014 approved PFC's trademark application effective July 09, 2013 and valid for ten (10) years.
Luna Cake Flour (Class No. 30)	Pilmico Foods Corporation	July 9, 2013	South Korea	Korean Intellectual Property Office in its Statement of Grant of Protection dated May 15, 2014 approved PFC's trademark application effective July 09, 2013 and valid for ten (10) years.

(x) Government Approvals

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

(xi) Effect of Existing or Probable Governmental Regulations

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

Wholesale Electricity Spot Market (WESM)

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

The WESM provides an avenue whereby generators may sell power, and at the same time suppliers and wholesale consumers can purchase electricity where no bilateral contract exists between the two. Where there are such bilateral contracts, these contracts are nevertheless declared in the market but only to determine the appropriate merit order of generators. Settlement for bilateral contracts between the

contracting parties will, however, occur outside the market. Traded electricity not covered by bilateral contracts will be settled through the market on the basis of the market clearing prices for each of the trading periods.

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

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

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

Interim Mindanao Electricity Market (IMEM)

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

Retail Competition and Open Access (Open Access)

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

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

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

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

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

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

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

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

Unbundling of Rates and Removal of Subsidies

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

Implementation of the Performance-based Rating-setting Regulation (PBR)

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

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

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

Compliance with the Philippine Distribution Code and the Philippine Grid Code

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

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

Reduction of Taxes and Royalties on Indigenous Energy Resources

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

Proposed Amendments to the EPIRA

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

- Classification of power projects as one of national significance and imbued with public interest;
- Exemption from Value Added Tax (VAT) of the sale of electricity by generation companies;
- Modification of the definition of the term "Aggregator," which is proposed to refer to a person or entity engaged in consolidating electric power demands of end-users of electricity in the contestable market, for the purpose of purchasing, reselling, managing for optimum utilization of the aggregated demand, or simply pooling the tendering process in looking for a supply of electricity on a group basis;
- Requirement for distribution utilities to conduct public and competitive selection processes or Swiss challenges for the supply of electricity and to fully or adequately contract their future and current energy and demand requirements;

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

The Renewable Energy Act of 2008 (RE Law)

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

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

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

supply of goods, properties and services needed for the development, construction and installation of RE facilities; cash incentives for missionary electrification; tax exemption on the sale of carbon emission credits; and tax credit on domestic purchases of capital equipment and services.

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

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

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

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

In line with the increase in installation target for solar energy from 50 MW to 500 MW and wind energy from 200 MW to 400 MW, the ERC issued Resolution No. 6 Series of 2015 approving the Solar FIT2 rate of ₱8.69/kWh for the second set of installation target. On October 6, 2015, the ERC issued Resolution No. 14, Series of 2015 adopting the Wind FIT2 rate of ₱7.40/kWh.

Acting upon the application of Transco, as Fund Administrator of the FIT Allowance (FIT-All), the ERC issued its final approval for the FIT-All of ₱0.0406 per kWh, for calendar years 2014 and 2015.

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

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

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

ERC Regulation on Systems Loss Cap Reduction

Under ERC Resolution No. 17, Series of 2008, the actual recoverable systems losses of distribution utilities was reduced from 9.50% to 8.50%. The new systems loss cap was implemented in January 2010.

Under this regulation, actual company use of electricity shall be treated as an expense of the distribution utilities, particularly, as an O&M expense in the PBR applications.

In December 2009, VECO and Cotabato Light filed separate petitions in the ERC for the deferment of the implementation of the systems loss cap of 8.50%, citing circumstances peculiar to their respective franchises and beyond the control of VECO and Cotabato Light that affect the systems loss incidence in their areas. Although these petitions remain pending before the ERC, unaccounted systems losses of VECO and Cotabato Light as of the end of 2014 stood at 7.83% and 8.26%, respectively.

Proposed Power Supply Agreement (PSA) Rules

In October 2013, ERC introduced the draft "Rules Governing the Execution, Review and Evaluation of Power Supply Agreements Entered into by Distribution Utilities for the Supply of Electricity to their Captive Market". In the proposed rules, a distribution utility is required to undertake a competitive selection process before contracting for supply of electricity to its captive market, and ERC shall establish a benchmark rate that shall serve as reference price to assess the price that a generation company may offer. The draft rules also provide that the ERC's decision on a power supply agreement shall be binding on the parties and any termination or "walk-away" clause shall not be allowed. AboitizPower submitted its position paper to the ERC stating that the proposed rules will violate the equal protection clause of the 1987 Philippine Constitution and the mandate and intent of the EPIRA in connection with the ERC's regulatory power. As of date, public consultations on the proposed rules were concluded and the Company is still awaiting the final rules from the ERC.

On October 20, 2015, ERC issued Resolution No. 13, Series of 2015, entitled, "A Resolution Directing All Distribution Utilities (DUs) to Conduct a Competitive Selection Process (CSP) in the Procurement of their Supply to the Captive Market." This resolution provides that a PSA shall be awarded to a winning Generation Company following a competitive selection process or by direct negotiation, after at least two failed CSPs.

Pricing and Cost Recovery Mechanism (PCRM)

Reserves are forms of ancillary services that are essential to the management of power system security. The provision of reserves facilitates the orderly trading, and ensures the quality of electricity.

As provided in the WESM Rules, when reasonably feasible, the Market Operator, in coordination with the System Operator, shall establish and administer a spot market for the purchase of certain reserve categories. The reserve categories that shall be traded in the WESM are regulating, contingency and dispatchable reserves as well as interruptible loads in lieu of reserves.

The WESM Reserve PCRM is intended to supplement the WESM Price Determination Methodology for purposes of providing the details of formula and procedures by which reserve trading amounts and reserve cost recovery charges for the categories of reserve that will be traded in the WESM are calculated. Once approved by the ERC, this Reserve PCRM will apply to all reserve categories traded in the WESM and will supersede, to this extent, the Ancillary Services Cost Recovery Mechanism of the Transco.

The Reserve PCRM covers the determination of (1) reserve trading amounts of reserve providers; (2) reserve cost recovery charges; and (3) administered reserve prices and reserve cost recovery charges. As

of date, the Reserve PCRM is the subject of an application by the Market Operator, which is pending the approval of the ERC.

On December 2, 2014, DOE Circular No. 2014-12-0022, otherwise known as the Central Scheduling and Dispatch of Energy and Contracted Reserves, was issued. The Circular aims to prepare the market participants in the integration of ancillary reserves into the WESM. The ancillary service providers will be paid based on their respective ASPAs with NGCP, while the scheduling of capacity and energy will be based on market results.

Proposed Joint Resolution for the Establishment of Additional Generating Capacity

On September 12, 2014, President Benigno S. Aquino III requested the House of Representatives and the Senate for authority to establish additional generating capacity. The President cited the DOE's report and projection of a critical electricity situation in the summer of 2015 in Luzon arising from the expected effects of the El Niño phenomenon, the 2015 Malampaya turnaround, increased and continuing outages of power plants, and anticipated delays in the commissioning of committed power projects.

After due deliberation, the Philippine House of Representatives ("House") approved House Joint Resolution No. 21, entitled “A Joint Resolution Authorizing the President of the Philippines, His Excellency Benigno S. Aquino III, to Provide for the Establishment of Additional Generating Capacity as Mandated by Republic Act No. 9136, also known as the “Electric Power Industry Reform Act (EPIRA)”, to Effectively Address the Projected Electricity Shortage in the Luzon Grid from March 1, 2015 to July 31, 2015.” On the other hand, the Philippine Senate ("Senate") approved Senate Joint Resolution No.12, entitled "A Joint Resolution Authorizing the President of the Philippines, His Excellency Benigno S. Aquino III, to Address the Projected Electricity Imbalance in the Luzon Grid and Providing the Terms and Conditions Therefor." A bicameral conference committee was constituted to reconcile the provisions of said House and Senate versions of the Joint Resolution. No bicameral conference committee version has been approved as of the date of submission of this Information Statement.

The Joint Resolution aims to address the projected critical power supply situation in Luzon through the expansion of the ILP, acceleration of power projects and implementation of energy efficiency programs.

On the other hand, the ERC has issued its Resolution No. 5, Series of 2015, which would enable the implementation of the ILP with respect to Contestable Customers, customers directly-connected to the grid, ecozone locators, and ecozone utility enterprises. Prior to Resolution No. 5, the ILP could only be implemented by DUs which enter into an agreement with their captive customers.

(xii) Amount Spent on Research and Development Activities

AEV and its Subsidiaries do not allocate specific amounts or fixed percentages for research and development. All research and developmental activities are done by its Subsidiaries and Affiliates on a per project basis. The allocation for such activities may vary depending on the nature of the project.

(xiii) Costs and Effects of Compliance with Environmental Laws

AEV’s Subsidiaries and Affiliates are subject to extensive, evolving and increasingly stringent safety, health and environmental laws and regulations. These laws and regulations, such as the RA 8749 or the Philippine Clean Air Act (Clean Air Act), address, among other things, air emissions, wastewater discharges, the generation, handling, storage, transportation, treatment and disposal of toxic or hazardous chemicals, materials and waste, workplace conditions, and employee exposure to hazardous substances. The Business Units have incurred and are expected to continuously incur operating costs to comply with the above laws and regulations. However, these costs and expenses cannot be segregated or itemized as these are embedded in, and are part and parcel of the BUs' overall system in compliance with both industry standards and the government’s regulatory requirements.

Standard regulations that govern business operations other than the Clean Air Act are Ecological Solid Waste Management Act (RA 9003), Clean Water Act (RA 9275), Toxic Chemical Substances and Hazardous

Waste Act (RA 6969), and Philippine Environmental Impact Statement System (Presidential Decree No. 1586). Designated pollution control officers in the different BUs closely monitor compliance with the requirements of these regulations.

AboitizPower continues to pursue Quality Management Systems, Environmental Management Systems, and Occupational Health & Safety Systems for all its operating facilities. In 2015, Integrated Management System IMS Certification was issued to the APRI while Hedcor received its re-certification. In the same year, both SN Aboitiz Power-Magat and SN Aboitiz Power-Benguet were re-certified for their ISO14001 (EMS), OHSAS 18001 and QMS 9001. Moreover, QMS 9001 and OHSAS 18001 Certifications were issued to TSI and CPPC, respectively.

Under the Food Group, Pilmico and PANC merited a re-certification for ISO 9001:2008, Hazard Analysis and Critical Points Control (HACCP) and Good Manufacturing Practice (GMP). In addition to the standard regulations, the Food Group is also regulated by the Environmental Impact Statement System (PD 1586).
With respect to the Land Group, AboitizLand complies with Presidential Decree 1586, the law establishing an Environmental Impact Statement (EIS) System. AboitizLand strives to attain a balance between its interests and environmental quality and protection. All AboitizLand projects, regardless of scale, comply with the requirements of the aforementioned law. AboitizLand's developments, Kishanta subdivision in Talisay City and Pristina North in Bacayan, Cebu City, were included in all tours and seminars conducted by the Housing and Land Use Regulatory Board (HLURB) for government planners, developers, municipal and city officials of the region to showcase AboitizLand's environmentally compliant developments.

Davao Light is further regulated by the local government of Davao and is compliant with all required certifications. The company is also compliant with the requirements of the Toxic Substances and Hazaradous and Nuclear Waste Control Act of 1990, specifically as regards to the registration of its polychlorinated biphenyls (PCB) transformer.

RCBM and its Subsidiaries set up a Mine Rehabilitation Fund (MRF) as a reasonable environmental deposit to ensure availability of funds in compliance with the Environmental Protection and Enhancement Program (EPEP) or the Annual Environmental Protection and Enhancement Program (AEPEP). In 2013, the RCBM Group, as mandated by the Philippine Mining Act, launched a reforestation program, in line with the government's National Greening Program (NGP) which aims to foster sustainable development for environment stability, food sufficiency, poverty reduction, biodiversity conservation, and climate change mitigation and adaptation. Under the RCBM Group's program, more than 400 volunteers planted trees simultaneously in four separate sites to reforest 750 hectares of denuded upland areas. RCBM Group gives top priority on the upkeep and maintenance of dust control devices at the manufacturing sites aligned with its commitment to environmental protection. Finally, to ensure that manufacturing activities and increased usage of alternative fuels do not result in added negative environmental impact, RCBM Group continue to invest their resources in housekeeping activities and periodic stationary sampling of air and water quality around the manufacturing sites. Continuous Emissions Monitoring Systems (CEMS) have also been installed in every manufacturing site to ensure that air emissions are kept within Philippine standard limits.

Apo Agua will ensures that all necessary applicable environment laws such as Presidential Decree No. 1586 (Environmental Impact Statement System), RA 6969 (Toxic Substances, Hazardous and Nuclear Wastes Control Act), RA8749 (the Clean Air Act) and RA9275 (Clean Water Act) will be complied. The company shall also comply with conditions set forth by Davao City's Watershed Management Council. Apo Agua shall satisfy the conditions sets forth by the by the Department of Health on the Philippine National Standards for Drinking Water and DENR-EMB on the DAO-35 Discharge Standards.

(xiv) Employees

As of March 28, 2016, AEV has a total of 267 employees composed of executives, managers, supervisors, rank and file and contractual employees. There is no existing collective bargaining agreement (CBA) covering AEV employees.

The following table provides a breakdown of total employee headcount per strategic Business Unit, divided by function, as of March 28, 2016:

Employees						
Number of Employees	AEV	UnionBank and Subsidiaries	Pilmico and Subsidiaries	AboitizLand and Subsidiaries	PETNET	AboitizPower and Subsidiaries
Executives	51	147	21	25	12	125
Managers	59	974	57	36	15	200
Supervisors	39	1,286	195	110	138	444
Rank & File	110	1,354	233	91	935	1,709
Contractual	8	1	40	46	1	458
TOTAL	**267**	**3,762**	**546**	**308**	**1,101**	**2,936**
Unionized Employees	N/A	1,211	22	N/A	N/A	628
CBA	N/A	2020	May 22, 2020	N/A	N/A	February 28, 2017 (APRI) June 15, 2016 (Davao Light) September 19, 2017 (Hedcor) December 31, 2016 (VECO) May 9, 2019 (SFELAPCO) June 30, 2019 (Cotabato Light)

The Company does not anticipate any increase in manpower within the next 12 months unless new development projects and acquisitions would materially require an increase.

(xv) Major Risk/s Involved in the Business of AEV and its Significant Subsidiaries

An integral part of AEV's enterprise risk management efforts is to understand and anticipate the risks that are crucial to the success of the businesses of AEV. AEV constantly strives to address the risks it may encounter in the businesses in which it is involved.

An integral part of AEV's Enterprise Risk Management efforts is to anticipate, understand and address the risks that the company may encounter in the businesses it is involved in.

Reputation Risk

AEV recognizes that its reputation is its single most valuable asset. It is a competitive advantage that enables the Company to earn the trust of its stakeholders. The Company is cognizant that the reputation it has today took generations to strengthen and it is therefore something it wants to protect, build and enhance continuously.

Today's world of higher corporate governance standards heightened public consciousness because of social media and greater scrutiny from key stakeholders, has created a new environment where corporate reputation has become a differentiating asset as well as the number one risk.

Managing AEV's reputation requires an understanding of its reputational terrain, which includes all its stakeholders: team members, customers, shareholders, lenders, regulators, host communities and LGUs.

AEV manages its reputational risk, which could be the effect of an occurrence of another risk, through the following:

- building organization capability through a formalized governance structure and intelligence process;

- assessing and mitigating risks;
- identifying and engaging all stakeholders through information and education campaigns;
- anticipating, resolving and proactively managing issues;
- developing and implementing a Group-wide social media policy and strategy;
- developing brand champions and brand advocates among its team members through effective corporate communication and engagement programs;
- ensuring brand integrity by establishing reputation metrics; and
- integrating sustainable practices across the value chain to promote inclusive growth.

A stakeholder management framework and process has been established and cascaded across AEV to enhance further the Company's ability to identify, understand and manage the needs and requirements of its different stakeholders.

Competition Risk

AEV and its Business Units operate in highly competitive environments. As such, failure to properly consider changes in their respective markets and foresee the actions of competitors can greatly diminish competitive advantage.

AEV. The AEV Business Development organization was strategically set up primarily to seize both local and international opportunities, where AEV could further leverage on its core competencies. These opportunities must also be scalable and deemed acceptable from both a risk and return perspective with strong recurring profits and cash flow, including participation in government's PPP program.

To manage risks, the Company explores and forms strategic partnerships and alliances with technical experts and even local players, where necessary. For new projects and investments, a formal project risk management process is being implemented. This is further enhanced by the creation of an Investment Committee that provides a structured framework for evaluating and ensuring that AEV and its Subsidiaries pursue the right opportunities.

Power. AboitizPower will be facing pivotal changes in the power industry in the next few years. Its investments, as well as those of its competitors in greenfield and brownfield projects, are starting to pour in, with new players coming into the game. The power industry is now moving into a situation where there will be adequate or even, as some project, an oversupply of electricity in two of the country's grids in the next couple of years.

AboitizPower's strength lies in its diversified portfolio of generation assets. To mitigate risks, projected capacities from these projects are contracted ahead of commercial operations to ensure that plant operations are optimized and to protect revenue and cash flow streams. Duration of these contracts are also planned and spread to allow the company maximum flexibility.

As new players are coming in, AboitizPower also intends to expand its portfolio of generation assets by implementing various greenfield and brownfield projects, which the company has also started to pursue in Indonesia and Myanmar.

Food. AEV's flour business faces stiff competition with new flour mills coming in and the influx of cheaper imported flour, which continues to challenge local flour prices. The first year of the ASEAN integration created a borderless business environment, which has increased competition, challenging Pilmico's hold in the markets where it operates. To stay ahead, the company established representative offices in Vietnam and Indonesia in 2015, resulting to the successful start of its Flour Export Program in both countries as well as in Hong Kong.

For its feeds business, Pilmico implemented a two-pronged strategy for developing purposive sales and marketing programs, and intensified its focus on people development for its sales force.

2015 was a groundbreaking year for Pilmico as it celebrated the first year of operations of its Vietnam aqua feedmill business through Pilmico VHF, its first venture in the ASEAN region.

AEV's Food Group also began a feedmill expansion program across all its sites – Iligan, Tarlac and Vietnam, all of which will be operational by the second quarter of 2016.

The Food Group has aggressively grown its Farm business through significant expansions in farm facilities and sow level. It has kept its position in the market with major competitors growing just as fast. In 2015, the company laid out a solid expansion plan in support of a sustainable future growth with the construction of eight plants to scale up production.

Land. Amidst the current instense competition across all sectors of the Philippine real estate market, the industry is expected to grow further in 2016. To respond to adversities, AboitizLand put in place appropriate investment on people, processes, and systems in 2015.

For its residential business, the company has always been a niche player focusing on products that can offer unique value. To remain competitive, AboitizLand continues to grow its Cebu footprint by offering differentiated services and innovative products, and forging partnerships with several corporate organizations, especially those within the Aboitiz Group. It has also expanded its land acquisition team to ensure that aggressive land buying targets are achieved.

The commercial spaces created and sustained by AboitizLand are growing. In 2015, The Outlets continued to bring in more brands to the market with its expansion building and welcomed the latest element in its neighborhood destination concept - a cluster of homegrown restaurants called *Fork in the Road*. To ensure further growth, the company continuously looks for ways to improve, innovate, and nurture partnerships in every community it develops.

For its industrial communities, AboitizLand is constantly in negotiations with foreign companies and prospective locators. Many of them have expressed serious interest in putting up a presence in the company's industrial parks, opening doors for potential partnerships and definitively growing the business. As opportunities for expansion abound, AboitizLand maintains highly professional relations with its existing locators and provides them with the highest quality services and benefits.

Financial Services.

Union Bank of the Philippines, Inc.

As the local banking industry faces continued intense competition, and to prepare for the ASEAN integration, UnionBank has shifted from proprietary trading to an accrual business model. This is part of the bank's FOCUS 2020 strategy focusing on customer centricity and channel expansion where the generation of net interest income and fee-based income becomes the dominant source of revenues. The bank focused on growing its customer loan portfolio and its Hold-to- Collect (HTC) portfolio, and reducing the negative drag in margins coming from low-yielding assets which are funded by high-cost deposits.

Following UnionBank's shift in business strategy, it plans to grow earning assets to increase leverage, leading with the corporate loan product, to match the level maintained by its peer banks.

In terms of funding, UnionBank shall continue its current accounts and savings accounts (CASA) generation, anchored on leveraging its corporate relationships using award-winning cash management solutions. The Bank shall also offer products and services to the communities of suppliers and distributors of our existing customers. This strategy provides the assurance that the accounts will be relatively low risk given the risk profile of its principals, particularly as UnionBank introduces financing schemes to community members to expand its commercial/SME banking loan book.

PETNET, Inc.

PETNET faces competition risks because of reduced margin and market share and obsolescence due to consumers' acceptance of mobile technologies. This is being mitigated by PETNET throught the introduction of other services to reduce reliance on money transfer as a business.

Regulatory Risk

The complexities in the business and regulatory landscape are increasing dramatically. Several of AEV's Business Units, particularly in the power and banking sectors, are now subject to more stringent regulations.

Corporations in the Philippines are navigating through new and more stringent regulatory requirements with relatively higher stakeholder expectations oftentimes expressed through public sentiment. They are challenged to comply with regulations in ways that support performance objectives, protect their brands, and sustain their corporate values.

To respond proactively to potential fundamental changes that have an impact on its businesses, AboitizPower has a dedicated regulatory team that works closely with the Generation Companies and Distribution Utilities in maintaining good working relations with the DOE and other government regulatory agencies.

The team actively participates in consultative processes that lead to the development of rules and regulatory policies covering the power industry. It has also developed a strategy anchored on a long-term perspective in anticipation of possible new policies or changes in existing regulations.

For the Business Units engaged in banking, compliance programs have been implemented and designed to ensure adherence not only to current and applicable laws and regulations, but also to UnionBank's internal policies, industry-accepted standards, and corporate governance best practices and principles.

PETNET has been implementing policies and processes that will ensure full compliance of BSP and Anti-Money Laundering Council rules and regulations.

The infrastructure arm's quarrying and manufacturing operations require governmental permits and compliance with environmental standards. The Group manages its environmental risks by committing to programs of sustainable development, protection of the environment, and preservation of natural resources and energy, adhering to global standards.

Business Interruption Due to Natural Calamities and Critical Equipment Breakdown

The loss of critical functions and equipment caused by natural calamities such as earthquakes, windstorms, typhoons and floods could result in a significant interruption of businesses within the Aboitiz Group.

Interruptions may also be caused by other factors such as major equipment breakdown, software, network or application failures, fires and explosions, hazardous waste spills, workplace fatalities, product tampering, terrorism and other serious risks.

Regular preventive maintenance of the facilities and technological infrastructure and systems of the Aboitiz Group is being strictly observed, and loss prevention controls are continually being evaluated and strengthened. In 2015, as part of the Asset Management Program for the generation companies, maintenance, inspection data, and repair histories were automated with the Maximo system, which went live in January 2016.

Group insurance facilities that leverage on the Company's portfolio of assets, supported by risk modelling and quantification, are in place. Business interruption insurance has also been procured to cover the potential loss in gross profits in the event of a major damage to the Aboitiz Group's critical facilities and assets. This has resulted to AEV and its Business Units having the right insurance solutions as the Company

continues its efforts to achieve the optimal balance between retaining and transferring risks and lowering the Total Cost of Insurable Risk (TCOIR).

To ensure the continuity of operations in the event of a business interruption, AEV and its subsidiaries completed the testing of Business Continuity Plans in 2015. As part of continuous improvement, these plans will be reviewed, tested and enhanced. New business continuity scenarios will also be developed to keep pace with the changing risks and issues the Company faces.

Financial Risks

In the course of the business operations of AEV and its Business Units, they are exposed to financial risks, namely:

- 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;
- refinancing and liquidity risk in terms of the proper matching of the type of financing required for specific investments; and
- foreign exchange (forex) risk in terms of forex fluctuations that may significantly affect foreign currency-denominated placements and borrowings.

The initial Group Financial Risk Management framework that includes commodity risks was completed in 2015.

Commodity Price Risk

AEV Business Units engaged in food and power have raw material and fuel requirements that are subject to price, freight and forex volatility factors. Fluctuation in any of these volatile elements, individually or combined, will result to increases in the operating costs of these Business Units.

To address these exposures, the Business Units' respective management teams have taken a more active role in understanding the markets, including entering into contracts and hedge positions with different suppliers of these commodities.

The Power Group has undertaken a deliberate shift to capacity-based contracts for the bulk of its PSAs. Such contracts come with a provision for the pass-through of fuel costs for the energy generated by the Business Units.

Project Risk

AEV and its Subsidiaries are on the lookout for major investment opportunities and projects in the power, food, infrastructure and real estate sectors. AEV also intends to participate in bidding for projects in the government's PPP program. Given the variance in the scale and complexity of these projects, there are inherent risks and issues, such as project completion and execution within budget and timelines.

In order to manage these risks, AEV takes effort to select the right partners, engage reputable contractors and third party suppliers, obtain insurance, and implement a project risk management framework. This includes identifying, assessing and managing risks at various stages of a project's life cycle – pre-development, development and during execution. A regular review of the project risk management plans is also being done to monitor the implementation of risk control measures.

Cyber Risks

The business benefits offered to organizations by technologies like the internet, cloud computing, mobile devices and social media introduce a range of new risks as well as cause existing risks to evolve. Together with the threats of hacking, malware, phishing and other forms of attacks cyber risks are key risks that the Aboitiz Group needs to closely monitor.

While sound security measures are in place, including an information security management system for AEV and most of the Business Units, an enhanced social media policy, among other key IT security controls, there is more to done. This includes further understanding and analyzing key vulnerabilities and exposures caused by cyber risks.

In 2016, minimum guidelines and requirements for information security will be developed for implementation across the Aboitiz Group. These will be complemented by a cyber risk framework and process, an enhanced mobile device management initiative, and the development of business continuity plans for key cyber risk scenarios.

(b) Requirements as to Certain Issues or Issuers

(i) Debt Issued

(a) On November 23, 2010, AEV signed a Notes Facility Agreement with a consortium of primary institutional lenders for the issuance of peso-denominated corporate fixed rate notes (Notes) in the principal aggregate amount of up to ₱1.5 bn through a private placement to not more than 19 institutional investors, pursuant to SRC Rule 9.2(2)(B). BPI Capital Corporation and the Bank of the Philippine Islands–Asset Management and Trust Group (BPI-AMTG) acted as the Arranger and Notes Facility Agent, respectively. The proceeds of the Notes were used for refinancing and for general corporate use of AEV. The Notes were fully paid last December 1, 2015.

(b) On August 24, 2014, the Board of Directors of AEV approved the sale of a part of the Company's common shares held in treasury, equivalent to up to Fifty Million (50,000,000) treasury shares. The shares will be sold, either in tranches, or in a single block at prevailing market prices through the facilities of the PSE. The Board of Directors delegated the authority to management to determine the timing of the sale of the treasury shares.

The proceeds of the sale will be used to build up the Company's cash reserves, working capital and for other general corporate purposes. As of March 31, 2016, AEV has sold a total of 32,394,986 treasury shares, broken down as follows:

Transaction Date	Number of Treasury Shares Sold
August 29, 2014	10,757,256
September 2, 2014	5,952,230
January 20, 2015	5,085,500
June 30, 2015	10,600,000
Total Treasury Shares Sold	**32,394,986**

The resulting capital structure as of March 31, 2016 is as follows:

Number of Issued Common Shares	:	5,694,599,621
Treasury Shares	:	140,332,814
Net of Issued and Outstanding Common Shares	:	5,554,266,807

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

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

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

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

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

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

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

Investment Corporation are the Joint Lead Underwriters for the transaction. BDO Capital and Investment Corporation, China Banking Corporation and Development Bank of the Philippines are the Co-Lead Underwriters, while Land Bank of the Philippines, RCBC Capital Corporation and United Coconut Planters Bank were also appointed as Participating Underwriters.

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

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

Use of Proceeds

Following the offers and sales of the retail bonds in 2013 and 2015, AEV received the aggregate amounts of ₱8 bn and ₱24 bn as proceeds from the said debt raising exercises, respectively. Below are summaries of the projected usages of the bond issuances as reported in AEV's prospectus compared with their actual usages as of December 31, 2015.

₱8 bn Retail Bonds

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

₱24 bn Retail Bonds

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

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

Item 2. Properties

The office space occupied by AEV is leased from a third party. As a holding company, AEV does not utilize significant amounts of office space.

On a consolidated basis, the property, plant and equipment of the Group were valued at ₱144.0 bn and ₱126.2 bn as of December 31, 2015 and 2014, respectively. Breakdown of these assets is as follows:

Projected capital expenditures will be reflected in the relevant portion of the financial statements of the Company.

PROPERTY, PLANT AND EQUIPMENT AS OF DECEMBER 31	2015	2014
Power, Plant & Equipment	₱99,606,874	₱87,188,066
Transmission & Distribution Equipment	14,721,395	12,753,079
Machinery & Equipment	5,064,989	4,807,224
Buildings, Warehouses and Improvements	17,267,337	5,869,677
Office Furniture, Fixtures and Equipment	3,930,852	2,446,038
Transportation Equipment	1,427,757	1,286,608
Land	1,881,393	1,749,671
Leasehold Improvements	3,502,183	1,338,371
Handling Equipment	246,092	246,092
Flight Equipment	1,013,552	1,010,290
Construction in progress	25,770,746	33,784,751
Others	1,171,031	992,633
	175,604,201	153,472,500
Less: Accumulated Depreciation and Amortization	31,606,499	27,268,776
TOTALS	**₱143,997,702**	**₱126,203,724**

Property, plant and equipment with carrying amount of ₱43.5 bn and ₱29.3 bn as of December 31, 2015 and 2014, respectively, are used to secure the Group's long-term debts. For further details refer to Note 19 (Disclosure on Long- Term Debts) of the attached AEV 2015 consolidated financial statements.

Locations of Principal Properties and Equipment of AEV's Subsidiaries are as follows:

SUBSIDIARY	DESCRIPTION	LOCATION	CONDITION
Cotabato Light	Industrial land, buildings/plants, equipment and machineries	Sinsuat Avenue, Cotabato City	In use for operations
Davao Light	Industrial land, buildings/plants, equipment and machineries	P. Reyes Street, Davao City and Bajada, Davao City	In use for operations
VECO	Industrial land, buildings/plants, equipment and machineries	Jakosalem Street, Cebu City and J. Panis Street, Cebu City	In use for operations
Pilmico	Industrial land, buildings/plants, equipment and machineries	Kiwalan Cove, Dalipuga, Iligan City	In use for operations
Hedcor	Hydropower plants	Kivas, Banengneng, Benguet; Beckel, La Trinidad, Benguet; Bineng, La Trinidad, Benguet Sal-angan, Ampucao, Itogon, Benguet; Bakun, Benguet	In use for operations
Hedcor Sibulan	Hydropower plant	Santa Cruz, Sibulan, Davao del Sur	In use for operations
Hedcor Tudaya	Hydropower plant	Santa Cruz, Sibulan, Davao del Sur	In use for operations

SUBSIDIARY	DESCRIPTION	LOCATION	CONDITION
Hedcor Sabangan	Hydropower plant	Namatec, Sabangan, Mountain Province	In use for operations
CPPC	Bunker-C thermal power plant	Cebu City, Cebu	In use for operations
APRI	Geothermal power plants	Tiwi, Albay; Caluan, Laguna; Sto. Tomas, Batangas	In use for operations
TMI	Barge-mounted diesel power plants	Nasipit, Agusan del Norte and Barangay San Roque, Maco, Compostela Valley	In use for operations
PANC	Industrial land, buildings/plants, eqpt. & machineries	Barangay Sto. Domingo II, Capas, Tarlac	In use for operations
TMO	Barge-mounted diesel power plants	Navotas Fishport, Manila	In use for operations
TVI	Land	Bato, Toledo, Cebu	For plant site
TSI	Coal-fired therma power plants	Davao City and Davao del Sur	In use for operations
AboitizLand	Raw land and improvements	Metro Cebu, Balamban, Cordova, Mactan, Liloan, Samar, Misamis Oriental, Davao	Existing or undergoing development; for future use
Lima Land	Raw land and improvements	Lipa and Malvar, Batangas	Existing or undergoing development: for future use
AseaGas	Raw land and improvements	Lian, Batangas	Undergoing development
PETNET	Raw land and improvements	Better Living Subdivision, Parañaque City	In use for operations
PETNET	Raw land and improvements	J. Catolico Avenue cor. Matco Road, Lagao, General Santos City	In use for operations

Item 3. Legal Proceedings

Material Pending Legal Proceedings

G. R. No. 210245 entitled "Bayan Muna Representative Neri Javier Colmenares, et al. v Energy Regulatory Commission, et al.", Supreme Court;
G. R. No. 210255 entitled "National Association of Electricity Consumers for Reforms, et al. v Manila Electric Company, et al.", Supreme Court;
G. R. No. 210502 entitled "Manila Electric Company, et al. v Philippine Electricity Market Corporation, et al.", Supreme Court;
and
ERC Case No. 2014-021 MC entitled "In the Matter of the Prices in the WESM for the Supply Months of November and December 2013 and the Exercise by the Commission of its Regulatory Powers to Intervene and Direct the Imposition of Regulated Prices therein without Prejudice to the On-going Investigation on the Allegation of Anti-Competitive Behavior and Possible Abuse of Market Power Committed by Some WESM Participants"

On December 19, 2013, Bayan Muna representatives filed a Petition for Certiorari against ERC and the MERALCO with the Supreme Court, questioning the alleged substantial increase in MERALCO's power rates for the billing period of November 2013.

These cases raised, among others, (i) the legality of Section 6, 29 and 45 of the EPIRA, (ii) the failure of ERC to protect consumers from the high energy prices, and (iii) the alleged market collusion by the generation companies.

These cases were consolidated by the SC, which issued a Temporary Restraining Order (TRO) preventing MERALCO from collecting the increase in power rates for the billing period of November 2013. The TRO was subsequently extended by the SC for another 60 days, or until April 22, 2014. On April 22, 2014, the SC extended the TRO in indefinitely.

MERALCO filed a counter-petition impleading all generation companies supplying power to the WESM to prevent the generation companies from collecting payments on power purchased by MERALCO from the WESM. The SC also ordered all power industry participants (the DOE, ERC, PEMC, PSALM and the generation companies) to respond to MERALCO's counter-petition.

The SC set the consolidated cases for oral arguments last January 21, 2014, February 4 and 11, 2014. After oral arguments, all parties were ordered to file their comments and/or memoranda. MERALCO has been prevented from collecting the differential increase of the price hike. Because of MERALCO's counter-petition against the generation companies, the PEMC withheld settlement on the power purchases during the covered period.

The cases before the SC are still pending but have been submitted for resolution.

The ERC conducted an investigation on the alleged collusion by the generation companies to raise the WESM prices. Subsequently, the ERC issued an Order in ERC Case No. 2014-021 MC dated March 3, 2014 (the "ERC Order"), declaring as void the Luzon WESM prices during the November and December 2013 supply months. The ERC also declared the imposition of regulated prices and directed the PEMC to calculate the regulated prices and implement the same in the revised November and December 2013 WESM bills of the concerned distribution utilities in Luzon, except for MERALCO whose November 2013 WESM bill was maintained in compliance with the TRO issued by the SC.

The ERC also ordered the PEMC, through its Enforcement and Compliance Office (ECO), to conduct an investigation, within a period of no less than 90 days, on the alleged violation of the Must-Offer-Rule.

Pursuant to the ERC Order, on March 18, 2014, the PEMC issued adjusted billing statements for all generators trading in the WESM, including Cebu-based EAUC and CPPC, recalculating the WESM prices.

AboitizPower's Affiliates and Subsdiaries, APRI, TLI, TMO, AESI, AdventEnergy, SN Aboitiz Power-Magat, SN Aboitiz Power-Benguet, CPPC and EAUC filed their respective Motions for Reconsideration, questioning the validity of the ERC Order on the ground of lack of due process, among others. In its March 27, 2014 Order, the ERC ordered deferral of PEMC's implementation of the adjusted billing statements for 45 days. This was subsequently extended with no clear timeline by the ERC in its order dated June 6, 2014.

The ERC, in its Order dated October 15, 2014, denied said Motions for Reconsiderations. SN Aboitiz Power-Benguet, SN Aboitiz Power-Magat, APRI, TLI, TMO filed their Petitions for Review (the "Petitions") before the Court of Appeals on November 19, 24, December 1, and 4, 2014, respectively. The CA subsequetly ordered the consolidation of the Petitions on October 9, 2015. The case is still pending with the CA.

AboitizPower's Subsidiaries made WESM settlements with PEMC for the relevant billing periods which were made without prejudice to the final resolution of the pending Petitions. Taking into account AboitizPower's financial position, AboitizPower does not expect any material adverse financial impact resulting from an adverse decision.

PEMC ECO-2014-0009 entitled "Therma Mobile, Inc. (TMO Power Plants Units 1-4) Possible Non-Compliance with Must-Offer-Rule, Investigation Summary Report, dated August 4, 2014";
SP Proc. No. 12790 entitled "Therma Mobile Inc. v. PEMC", Regional Trial Court Branch 157-Pasig City; and
CA G.R. SP No. 140177 entitled "PEMC v. Therma Mobile Inc.", Court of Appeals, Manila.

The Enforcement and Compliance Office of the Philippines Electricity Market Corporation (PEMC-ECO) conducted an investigation on TMO for possible non-compliance with the Must-Offer-Rule for the period October 26, 2013 to December 25, 2013.

PEMC ECO concluded that TMO was non-compliant with the Must-Offer-Rule for 3,578 intervals and recommended a penalty of ₱234.9 mn.

TMO filed its letter request for reconsideration on September 5, 2014, contending that it did not violate the Must- Offer-Rule because its maximum available capacity was limited to 100 MW due to: (i) the thermal limitations of the old TMO 115-kV transmission line, and (ii) the technical and mechanical constraints of the old generating units and the component engines of the TMO power plants which were under various stages of rehabilitation.

In its letter dated January 30, 2015, the PEMC Board of Directors ("PEMC Board") denied TMO's request for reconsideration and confirmed its earlier findings of breach of 3,578 counts under the Must-Offer-Rule and sustained the imposition of financial penalties amounting to ₱234.9 mn on TMO. According to the PEMC Board, the penalties will be collected from TMO through the WESM settlement process.

TMO maintains that there is no basis for the PEMC decision. TMO did not withhold any capacity for the period covered, as it was physically impossible for TMO to transmit more than 100 MW to MERALCO. Although TMO's rated capacity is 234 MW (net), it could only safely and reliably deliver 100 MW during the November and December 2013 supply period because of limitations of its engines and the 115-kV transmission line. This temporary limitation of TMO's plant was confirmed during a dependable capacity testing conducted on November 21, 2013. At this period, TMO's engines and transmission lines were still undergoing rehabilitation after having been non-operational for the last five years.

On February 13, 2015, TMO filed a Notice of Dispute with the PEMC to refer the matter to dispute resolution under the WESM Rules, WESM Dispute Resolution Market Manual and the ERC-PEMC Protocol.

On February 16, 2015, TMO filed an Urgent Petition for the Issuance of Interim Measures of Protection for the Issuance of a Writ of Preliminary Injunction with prayer for Temporary Order of Protection before the Pasig City RTC. In its Order dated February 24, 2015, the RTC granted TMO a 20-day temporary order of protection and directed PEMC to a) refrain from demanding or collecting the amount of ₱234.9 mn as

financial penalty; b) refrain from charging interest on the financial penalty and having the same accrue; and c) refrain from transmitting PEMC-ECO's investigation report to the ERC. TMO posted a bond in the amount of ₱234.9 mn to answer for any damage that PEMC may suffer as a result of the Order.

On April 1, 2015, the RTC granted a Writ of Preliminary Injunction preventing PEMC from (i) collecting the ₱234.9 mn; (ii) charging interest; (iii) transmitting the PEMC-ECO investigation report to ERC until the dispute is finally resolved through the WESM's dispute resolution process.

PEMC elevated the case to the CA via a Petition for Review.

On December 14, 2015, the CA rendered a decision denying PEMC's Petition for Review and affirming the decision of Pasig RTC. PEMC sought the reversal of the CA's decision by filing a motion for reconsideration dated January 20, 2016. TMO filed its Comment to the Motion for Reconsideration last March 21, 2016. The CA has yet to rule on the said motion for reconsideration.

Item 4. Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this report.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

(1) Market Information

AEV's common shares are traded in the Philippine Stock Exchange, Inc.

The high and low stock prices of AEV's common shares for each quarter for the past two years were as follows:

	2016		2015		2014	
	High	Low	High	Low	High	Low
First Quarter	65.00	54.40	59.00	53.55	61.50	50.10
Second Quarter	N/A	N/A	58.50	54.50	59.00	54.20
Third Quarter	N/A	N/A	59.00	51.95	56.90	53.90
Fourth Quarter	N/A	N/A	58.10	54.90	53.80	48.90

The closing price of AEV common shares, as of March 31, 2016 is ₱65.00 per share.

(2) Holder

As of March 31, 2016, AEV has 9,283 stockholders of record, including PCD Nominee Corporation (Filipino) and PCD Nominee Corporation (Foreign). Common shares outstanding as of same date were 5,554,266,807 shares.

The top 20 stockholders of AEV as of March 31, 2016 are as follows:

	STOCKHOLDER	NATIONALITY	COMMON SHARES	% OF TOTAL COMMON SHARES ISSUED
1	Aboitiz & Company, Inc.	Filipino	2,735,600,915	49.25%
2	PCD Nominee Corporation (Filipino)	Filipino	619,748,135	11.16%
3	PCD Nominee Corporation (Foreign)	Non-Filipino	558,030,135	10.05%
4	Ramon Aboitiz Foundation, Inc.	Filipino	424,538,863	7.64%
5	Sanfil Management Corporation	Filipino	120,790,211	2.17%
6	Chanton Management & Development Corporation	Filipino	62,118,484	1.12%
7	Windemere Management & Development Corporation Filipino	Filipino	45,584,542	0.82%
8	Donya 1 Management & Development Corporation	Filipino	41,054,511	0.74%
9	Morefund Management & Development Corporation	Filipino	37,918,115	0.68%
10	Anso Management Corporation	Filipino	32,287,821	0.58%
11	Bauhinia Management Inc.	Filipino	30,894,091	0.56%
12	Mario Ugarte	Filipino	23,531,731	0.42%
13	MYA Management & Development Corporation	Filipino	22,494,414	0.40%
14	Parraz Development Corporation	Filipino	22,380,003	0.40%
15	Luis Miguel O. Aboitiz	Filipino	20,092,133	0.36%
16	Guada Valley Holdings Corporation	Filipino	17,688,445	0.32%
17	Ma. Cristina; Jaime Jose Aboitiz; Luis Alfonso Aboitiz	Filipino	13,605,767	0.24%

	STOCKHOLDER	NATIONALITY	COMMON SHARES	% OF TOTAL COMMON SHARES ISSUED
18	Annabelle O. Aboitiz	Filipino	12,275,834	0.22%
19	Mary Anne Aboitiz Arculli	Filipino	10,767,556	0.19%
20	UnionBank TISG for IMA# PH 3Q201 692	Filipino	8,709,900	0.16%
	SUB-TOTAL		**4,860,111,606**	**87.50%**
	Other Stockholders		**694,155,201**	**12.50%**
	TOTAL SHARES		**5,554,266,807**	**100.00%**
	NET ISSUED AND OUTSTANDING SHARES		**5,554,266,807**	**100.00%**

(3) Dividends

The cash dividends declared by AEV to common stockholders from fiscal year 2014 to the first quarter of 2016 are shown in the table below:

Year	Cash Dividend Per Share	Declaration Date	Total Declared	Record Date	Payment Date
2016 (regular)	₱1.06	03/08/2016	₱5.89 bn	03/22/2016	04/19/2016
2015 (regular)	₱1.11	03/10/2015	₱6.15 bn	03/24/2015	04/20/2015
2014 (regular)	₱1.27	03/11/2014	₱7.01 bn	03/25/2014	04/22/2015
2014 (special)	₱0.53	03/11/2014	₱2.93 bn	03/25/2014	04/22/2015

In a special meeting held on January 11, 2007, the AEV Board of Directors approved the policy of distributing at least one-third of its previous year's earnings as cash dividends to its stockholders for subsequent years.

(4) Recent Sales of Unregistered or Exempt Securities, Including Recent Issuance of Securities Constituting an Exempt Transaction

(a) On November 23, 2010, AEV signed a Notes Facility Agreement with a consortium of primary institutional lenders for the issuance of peso-denominated corporate fixed rate notes (Notes) in the principal aggregate amount of up to ₱1.5 bn through a private placement to not more than 19 institutional investors, pursuant to SRC Rule 9.2(2)(B). BPI Capital Corporation and the Bank of the Philippine Islands–Asset Management and Trust Group (BPI-AMTG) acted as the Arranger and Notes Facility Agent, respectively. The proceeds of the Notes were used for refinancing and for general corporate use of AEV. The Notes were fully paid last December 1, 2015.

(b) On August 24, 2014, the Board of Directors of AEV approved the sale of a part of the Company's common shares held in treasury, equivalent to up to Fifty Million (50,000,000) treasury shares. The shares will be sold, either in tranches, or in a single block at prevailing market prices through the facilities of the PSE. The Board of Directors delegated the authority to management to determine the timing of the sale of the treasury shares.

The proceeds of the sale will be used to build up the Company's cash reserves, working capital and for other general corporate purposes. As of March 31, 2016, AEV has sold a total of 32,394,986 treasury shares, broken down as follows:

Transaction Date	Number of Treasury Shares Sold
August 29, 2014	10,757,256
September 2, 2014	5,952,230
January 20, 2015	5,085,500
June 30, 2015	10,600,000
Total Treasury Shares Sold	**32,394,986**

The resulting capital structure as of March 31, 2016 is as follows:

Number of Issued Common Shares	:	5,694,599,621
Treasury Shares	:	140,332,814
Net of Issued and Outstanding Common Shares	:	5,554,266,807

Item 6. Management's Discussion and Analysis or Plan of Action

MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF ACTION OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Year Ended December 31, 2015 vs. Year Ended December 31, 2014

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

TOP FIVE KEY PERFORMANCE INDICATORS

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

1. EQUITY IN NET EARNINGS OF INVESTEES

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

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

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

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

3. CASH FLOW GENERATED

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

4. CURRENT RATIO

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

5. DEBT-TO-EQUITY RATIO

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

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

	JAN-DEC 2015	JAN-DEC 2014
EQUITY IN NET EARNINGS OF INVESTEES	**6,589,452**	7,244,241
EBITDA	**40,171,067**	38,355,609
CASH FLOW GENERATED:	**27,258,985**	27,104,460
Net cash flows from operating activities	**(36,592,531)**	(14,423,247)
Net cash flows used in investing activities	**22,392,911**	1,663,025
Net cash flows from financing activities	**13,059,365**	14,344,239
Net Increase in Cash & Cash Equivalents	**50,481,566**	36,118,190
Cash & Cash Equivalents, Beginning	**63,581,884**	50,481,566
Cash & Cash Equivalents, End		
	DEC. 31, 2015	**DEC. 31, 2014**
CURRENT RATIO	**2.84**	2.76
DEBT-TO-EQUITY RATIO	**1.31**	1.08

DISCUSSION ON KEY PERFORMANCE INDICATORS:

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

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

Associates continued to generate substantial earnings and enhance the consolidated bottomline, despite the 9% decline in their income contribution to the Group. Consolidated EBITDA, which increased by 5%, translated into additional cash inflows coming from subsidiaries' operations and from dividend payments of associates. The internally-generated funds were then used to finance capital expenditures, settle maturing financial obligations and pay cash dividends.

With higher borrowings at the end of December 2015, debt-to-equity ratio edged up to 1.31x (versus end-2014's 1.08x). Meanwhile, current ratio improved to 2.84x (versus end-2014's 2.76x) as increase in current assets outpaced the increase in current liabilities.

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

RESULTS OF OPERATIONS

For the year ended December 2015, AEV and its subsidiaries posted a consolidated net income of ₱17.68 billion, a 4% YoY decrease. This translates to an earnings per share of ₱3.18 for the year in review. In terms of income contribution, Power Group still accounted for the bulk at 73%, followed by the Financial Services, Food, Real Estate and Infrastructure Groups at 14%, 9%, 3% and 1%, respectively.

The Group generated a non-recurring net loss of ₱602 million (versus ₱436 million gain in 2014) mainly from the foreign exchange loss on the revaluation of dollar-denominated loans and placements of the Power business units. Stripping out these one-off items, the Group's core net income for the year amounted to ₱18.28 billion, up 2% YoY.

BUSINESS SEGMENTS

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

Power

Aboitiz Power Corporation (AP) ended the period with an income contribution of ₱13.53 billion, a 6% increase from last year's ₱12.75 billion.

Power generation group's bottomline contribution to AEV increased by 3% to ₱10.70 billion from ₱10.36 billion last year. This was substantially attributed to the following: a.) higher sales volume from the coal and large hydro groups, b.) lower financing cost of the large hydro group, and c.) lower operating expenses of the geothermal and oil groups. This was partly offset by the decrease in geothermal group's revenue due to steam decline and the increase in income tax provisions owing to the income tax holiday (ITH) expiration of Magat, Binga and Therma Marine plants.

AP's attributable net generation for the year in review grew by 11% YoY, from 11,272 gigawatthours (GWh) to 12,550 GWh, due to the 18% YoY growth in power sales through bilateral contracts. In line with the group's efforts to reduce its exposure to spot market sales, bilateral sales constitute 91% of total power sold during the year, and as a consequence, spot sales decreased by 28% YoY to 1,168 GWh.

On a capacity basis, attributable sales increased by 6% to 1,900 MW. The new capacities from Therma South and Hedcor Sabangan, along with the higher ancillary revenues of the large hydros and higher dispatch of the oil group, more than offset the decrease in APRI's available capacity due to steam decline. The completion of the 14MW Sabangan run-of-river hydroelectric and 260MW (net) Davao Coal plants resulted in an increase in the Power group's net attributable sellable capacity to 2,532 MW.

Likewise, AP's distribution group's earnings contribution to AEV rose 19% from ₱2.46 billion to ₱2.93 billion. Driven by the growth in energy sales across all customer segments, as well as the full-year contribution of Lima Enerzone, attributable electricity sales rose by 6% to 4,759 GWh, from 4,480 GWh last year.

Banking & Financial Services

Income contribution from this industry group fell 22%, from ₱3.24 billion to ₱2.54 billion for the year in review.

UBP's income contribution fell 22% from ₱3.24 billion to ₱2.53 billion mainly due to the absence of trading gains posted during the year. This decline was partially countered by the 13% growth to ₱12 billion in net interest income in view of higher interest income coupled with lower cost of deposits. Service fee revenue likewise grew by 13% to ₱3.7 billion brought about by the strong expansion in retail loans.

PETNET, Inc. (PETNET), acquired by AEV in June 2015, contributed ₱8.16 million to the Group's consolidated net income from the date of acquisition.

Food

Income contribution from Pilmico Foods Corporation (PILMICO) and its subsidiaries amounted to ₱1.71 billion, up 31% YoY, mainly attributed to the strong performance of Feeds Philippines and the full-year contribution of Feeds Vietnam. Flour earnings contribution remained flat at ₱556 million. The improvement in Net Income After Tax (NIAT) of the Feeds and Flour business more than made up for the decline in Farms' bottomline, resulting from lower prevailing market selling price of live hogs.

Real Estate

Full-year income contribution of AboitizLand amounted to ₱536 million, 15% lower than ₱633 million last year. The decline resulted mainly from lower sales in Lima Land, Inc. (LLI) industrial lots and higher manpower cost due to ongoing organizational expansion.

Infrastructure

Newly-acquired companies, AEV CRH Holdings, Inc. and CRH Aboitiz Holdings, Inc., started contributing in mid-September of the current year and posted a combined income contribution of ₱194 million.

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

For the year ended December 31, 2015, consolidated net income allocable to the equity holders of AEV registered a 4% decline, reaching ₱17.68 billion from ₱18.38 billion posted in the previous year.

Operating profit for the current year amounted to ₱27.42 billion, a 12% increase YoY, as a result of the ₱1.39 billion increase in revenues coupled with the ₱1.48 billion decline in costs and expenses. This increase was mainly attributed to the performance of the Power and Food Groups.

Power subsidiaries reported a 10% YoY increase in operating profit from ₱22.35 billion to ₱24.69 billion mainly due to the growth in a.) EBIT of the therma power subsidiaries attributed to lower fuel and purchased power costs of Therma Luzon, better selling prices of Therma Marine, and the fresh EBIT contributions from Therma South, Inc. (TSI) and the rehabilitated barges of Therma Mobile, and b.) gross margins of the distribution utilities attributed to higher electricity demand from customers. Food group also reported an increase in operating income by 51% (₱2.67 billion vs ₱1.77 billion) largely from better performance of the Farms division.

Share in net earnings of associates dropped by 9% YoY (₱6.59 billion vs ₱7.24 billion in 2014) mainly due to the decline in net income of UBP. This was largely attributed to absence of trading gains.

The drop in equity earnings and other income, coupled with increases in net interest expense and income tax provision, more than offset the increase in operating profit, and as a result, pulled down the Group's overall profitability. Net interest expense increased by ₱644 million resulting from higher level of debt.

Other Income declined by 88% YoY (₱224 million vs ₱1.91 billion in 2014) mainly due to the ₱634 million gains generated from the sale of Aboitiz Jebsen Transport Corporation (ABOJEB) and Cebu International Container Terminal, Inc. (CICTI) in 1Q2014, versus nil in the current year. The higher net foreign exchange loss (₱1.28 billion vs ₱199 million in 2014) recorded in the restatement of Power Group's dollar-denominated debt and placements, further contributed to the drop in Other Income.

Net income attributable to non-controlling interests increased to ₱5.48 billion, from ₱5.18 billion in 2014, substantially due to the increase in AP's net income, 23% of which belongs to minority shareholders.

AEV's consolidated comprehensive income attributable to equity holders correspondingly decreased by 24%, from ₱20.35 billion in 2014 to ₱15.54 billion in 2015. The 4% decrease in consolidated net income combined with 217% decrease in AEV's share of an associate's fair valuation differential on its available-for-sale (AFS) investments, accounted for this decline.

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

Assets

Compared to year-end 2014 level, consolidated assets increased 21% to ₱340 billion as of December 31, 2015, due to the following:

a. Cash & Cash Equivalents increased by 26% (₱63.58 billion vs ₱50.48 billion as of December 31, 2014) as the funds generated from operations and debt raising exceeded the funds used in acquiring additional investments, financing capital expenditures, repayment of maturing obligations and payment of cash dividends.

b. Investments in and Advances to Associates increased by ₱21.17 billion (₱73.43 billion vs ₱52.27 billion as of December 31, 2014) mainly due to the ₱23.74 billion acquisition of Lafarge S.A.'s cement business,

₱452 million acquisition of San Carlos Sun Power, Inc and Maaraw Holdings San Carlos, Inc. by AP, ₱321 million purchase of UBP shares by AEV and recording of ₱6.59 billion share in earnings of associates. This increase was partially reduced by the ₱2.65 billion redemption of MORE preferred shares, ₱4.95 billion cash dividends received from associates, and ₱2.25 billion share of a banking associate's fair valuation loss on its AFS investments during the current period.

c. Available-for-Sale (AFS) Investments increased by 472% (₱368 million vs ₱64 million as of December 31, 2014) mainly due to the first-time consolidation of PETNET's AFS investments.

d. Gross of depreciation expense, the resulting ₱24.14 billion combined growth in Property Plant and Equipment (PPE), Investment Properties (IP), and Land and Improvements (LI) was mainly due to the following: 1.) ₱18.3 billion on-going construction of AP's power plants, Aseagas' biomass plant and Food Group's swine farms and plant facilities; 2.) ₱3.6 billion acquisition of AP generation and distribution assets; 3.) ₱780 million purchase of a piece of property and renovation costs by CPDC; and 4.) ₱1.4 billion additional lot purchases and various capital expenditures by Real Property Group.

e. Trade and Other Receivables, inclusive of noncurrent portion, increased by 13% (₱19.05 billion vs ₱16.93 billion as of December 31, 2014) mainly due to the growth in: 1.) Real Estate Group's installment sales and AEV's revenues which correspondingly brought up trade receivables, and 2.) advances to contractors attributed to the on-going plant construction.

f. Derivative Assets (current and non-current) increased by 401% (₱563 million vs ₱113 million as of December 31, 2014) mainly due to mark-to-market gains recognized during the current period on new forward contracts entered into by Power Group to hedge its foreign exchange risk on forecasted dollar-denominated payments related to the construction of a power plant.

g. Other Current Assets increased by 61% (₱6.49 billion vs ₱4.04 billion in December 31, 2014) substantially due to Power Group’s increase in prepaid insurance and reclassification of VAT inputs from Non-current to Current Assets considering the expected application of these VAT inputs against generated VAT outputs at the start of a power generation subsidiary's commercial operation in the following year.

h. Deferred Income Tax Assets increased by 100% (₱700 million vs ₱P350 million as of December 31, 2014) mainly due to the corresponding deferred tax benefits recognized on the unrealized foreign exchange losses, actuarial losses on defined benefit plans and impairment provisions net operating loss carry-over (NOLCO) generated by the Group during the current year.

i. Goodwill increased by 34% (₱2.07 billion vs ₱1.55 billion as of December 31, 2014) due to the ₱524 million positive goodwill generated from the acquisition of PETNET shares.

The above increases were tempered by the following decreases:

a. Intangible Asset-Service Concession Rights decreased by 5% (₱3.23 billion vs ₱3.40 billion in December 2014) mainly due to the amortization charged to consolidated net income during the period.

b. Other Noncurrent Assets decreased by 8% (₱10.43 billion vs ₱11.38 billion as of December 31, 2014) primarily due to the reclassification of a portion of the VAT inputs lodged in Non-current Assets to Current Assets in anticipation of their application against VAT outputs during the succeeding year.

Liabilities

Consolidated short-term bank loans increased by 21% (₱8.88 billion vs ₱7.34 billion as of December 31, 2014) due to availment by the Food and Real Estate Groups to fund working capital requirements. Likewise, long-term debt increased by 37% (₱152.46 billion vs ₱111.44 billion as of December 31, 2014) substantially due to the ₱24 billion retail bond issuance of AEV Parent to fund investment acquisitions, and the ₱19.86 billion combined additional loan availment by TVI, Hedcor Bukidnon, TSI, PEC, Food Group and Aseagas to finance ongoing plant construction, reduced by the ₱2.2 billion payment of maturing finance lease and loan amortizations.

Trade and other payables, inclusive of noncurrent portion, were higher by 18%, from ₱15.98 billion to ₱18.87 billion mainly due to the increase in payables to suppliers and contractors of certain power subsidiaries and a joint operation investee as a result of ongoing plant construction.

Income tax payable increased by 38%, from ₱695 million to ₱957 million due to recording of additional income tax liability of the Power Group during the current period.

Customers deposits increased by 11%, from ₱5.94 billion to ₱6.58 billion mainly due to the growth in the customer base of power distribution subsidiaries.

Asset retirement obligation (ARO) increased by 28% from ₱2.35 billion to ₱3.02 billion due to additional provision and accretion of interest recorded during the current period.

Pension liability, net of pension asset, increased by 56%, from ₱416 million to ₱649 million, mainly on account of additional retirement cost and actuarial losses recorded by the Group, partially offset by the contributions made, during the current year.

Deferred income tax liabilities (DTL) decreased by 9%, from ₱1.76 billion to ₱1.61 billion, mainly due to the reversal of some deferred tax provision resulting from the unrealized foreign exchange losses incurred, and lower unrealized fair valuation gain recorded on investment property during the current period.

Equity

Equity attributable to equity holders of the parent increased by 10% from year-end 2014 level of ₱107.94 billion to ₱118.22 billion, mainly due to the following: a.) ₱11.53 billion increase in Retained Earnings resulting from the ₱17.68 billion net income recorded during the year, reduced by the ₱6.15 billion cash dividends paid, and b.) ₱885 million sale of treasury shares. This was partially countered by the ₱2.25 billion increase in the Group's share of UBP's unrealized mark-to-market losses on its AFS investments.

MATERIAL CHANGES IN LIQUIDITY AND CASH RESERVES OF REGISTRANT

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

Compared to the cash inflow in 2014, consolidated cash generated from operating activities in 2015 increased by ₱155 million to ₱27.26 billion mainly due to the growth in earnings before interest, depreciation and amortization (EBIDA) recorded by subsidiaries during the current year despite higher income taxes paid and increase in operating assets.

The current period ended up with ₱36.59 billion net cash used in investing activities versus ₱14.42 billion last year. This was mainly due to the acquisition of the cement business, higher cash spent on PPE and LI acquisitions and lower cash dividends received from associates. This increase in cash usage was partly offset by the higher cash generated from the ₱2.65 billion redemption of MORE redeemable preferred shares, vis-a-vis the ₱638 million proceeds from the sale of ABOJEB and CICTI last year.

Net cash from financing activities was ₱22.39 billion versus ₱1.66 billion in 2014. This was largely attributed to AEV Parent's ₱24 billion retail bond issuance, the Group's other long- and short-term loan availments, lower cash dividends paid by AEV (₱6.15 billion vs ₱9.94 billion in 2014), and the ₱885 million sale of treasury shares.

For the year in review, net cash inflows surpassed cash outflows, resulting in a 26% increase in cash and cash equivalents, from ₱50.48 billion as of year-end 2014 to ₱63.58 billion as of December 31, 2015.

FINANCIAL RATIOS

Backed by strong operating cash inflows, liquidity was adequately preserved. Current ratio stood at 2.84x from 2.76x at the start of the year, since current assets grew stronger than current liabilities. Debt-to-equity ratio climbed to 1.31:1 (versus year-end 2014's 1.08:1). This was mainly due to the growth in total liabilities which outpaced the increase in equity.

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 upcoming May 2016 presidential elections, and the increasing and sustained growth of the business processing 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 bn in capital expenditure (capex) in 2016, the bulk of which will be used for its power expansion projects.

Business Development

AEV seeks to capture opportunities in sectors in which it believes it could further leverage on its core competencies, are scalable, and with strong recurring profits and cash flow. AEV has disclosed some initiatives which are expected to serve as new avenues of growth in the years to come.

1. Aseagas Corporation (AseaGas)

The business model of the company will shift from producing liquid bio-methane to power generation due to the drastic drop in oil prices during the second quarter of 2014, where oil prices fell from an all-time high of US$111 per barrel to US$48 per barrel, 38% below the 10-year average of US$78.2 per barrel. AseaGas aims to take advantage of the FIT scheme where participants are guaranteed a fixed tariff for a period of 20 years. The company has already amended the Biomass Renewable Energy Operating Contract (BREOC), as approved by the DOE. The company has also secured the DOE endorsement which is one of the requirements for a point to point application with NGCP to secure certificate for FIT eligibility. At the moment, the FIT rate is expected to be at ₱P6.63/kWh.

Aseagas will invest US$60 mn for an initial plant with a power capacity of 8.8 MW. The power plant is expected to have a 90% capacity factor producing 68,302,080 kWh per annum. A notes facility of ₱2.0 bn has already been closed to fund the project. The construction commenced last March 18, 2014 and is expected to be completed in June 2016. Should the pilot project be successful, then operations could be easily scaled up.

2. Apo Agua Infrastructura, Inc. (Apo Agua)

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

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.

JVACC submitted an unsolicited proposal to the local water agency in early 2013. On June 20, 2014, JVACC informed AEV that it received, on behalf of the Jose V. Angeles Construction Consortium, the Notice of Award (NoA) from the Davao City Water District (DCWD) for the financing, design, construction and operations of the Tamugan Surface Water Development Project. On March 17, 2015, Apo Agua signed the Contractual Joint Venture Agreement and Bulk Water Purchase Agreement (BWPA) with DCWD.

Apo Agua is currently securing the necessary permits and financing requirements to implement the project. This process will take around 18-24 months from the day of the signing of the BWPA. Project construction is expected to commence once all the necessary permits and funding are secured.

3. Bidding for the Operation and Maintenance of the Existing LRT Line 2 (LRT2) System and the Masinag Extension System

AEV submitted the pre-qualification documents on January 27, 2015 to the DOTC for the bidding of the operation and maintenance of the existing LRT Line 2 (LRT2) system. The project consists of:

a. operation and maintenance of the existing LRT2 system for 10-15 years;
b. operation and maintenance of the existing Masinag Extension system; and
c. operation and maintenance of any future extension to the LRT2 system.

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.

Bidding is expected by second quarter of 2016.

4. Bidding for the Operations, Maintenance and Expansion of the Bacolod-Silay, Iloilo, Davao, Laguindingan and New Bohol Airports

AEV submitted the pre-qualification documents on August 17, 2015 to 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 24 airports in three countries, France, Portugal and Cambodia.

Submission of bid documents is expected by second quarter of 2016.

Power

I. Generation Business

1. Expiration of Income Tax Holiday

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

AP Renewables, Inc (APRI). APRI obtained an ITH from the BOI on June 19, 2009. The ITH for APRI will expire on 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.

300-MW CFB Coal-Fired Power Plant in Davao. AboitizPower, through subsidiary TSI, is constructing a 2x150 MW CFB coal-fired power plant in Davao. The project broke ground in May 2012. The EPC contract for the power block was awarded to Formosa Heavy Industries (FHI) with FHI supplying the CFB boilers and Fuji as major subcontractor/supplier of the turbine-generators. The EPC contract for the balance of plant equipment and their integration with the power block was awarded to a consortium led by Black & Veatch Corporation. TSI is now fully operational. Unit 1 commenced commercial operations last September 18, 2015, while Unit 2 officially went online last February 2, 2016.

59-MWp Solar Power Plant in Negros Occidental. This is a project by AboitizPower's Subsidiary ARI, Maaraw San Carlos and SunEdison, Inc. The project involves the construction of a 59- MWp photovoltaic solar power plant. The EPC contract was awarded to Nari Group Corporation last August 2015. The project started injecting power to the grid before the FIT deadline on March 15, 2016.

420-MW Pulverized Coal-Fired Expansion Unit 3 in Pagbilao, Quezon. This is a project by PEC, a partnership between AboitizPower subsidiary TPI, and TeaM (Philippines) Energy Corporation. 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 on year-end 2017.

340-MW CFB Coal-Fired Project in Toledo City, Cebu. This is a project of TVI, a partnership between AboitizPower and the Garcia Group, through Vivant Integrated Generation Corporation (VIGC) and Vivant Energy Corporation (VEC). The project involves the construction of a 2x170-MW coal-fired power plant. The EPC contract was awarded to Hyundai Engineering Co. Ltd. (HEC). The Notice to Proceed (NTP) for all EPC activities was issued on March 18, 2015. The turnover of the first and second units are targeted on the second and third quarter of 2018, respectively.

68 MW Manolo Fortich Hydroelectric Power Plant in Bukidnon. This is a project by Hedcor Bukidnon and involves the construction of the 43 MW Manolo Fortich 1 and 25-MW Manolo Fortich 2 run-of-river hydropower plants. The project broke ground in April 2015 and the target commercial operation is planned for second quarter of 2017.

8.5 MW Maris Canal Hydroelectric Power Plant Project in Ramon Isabela. This is a project by SN Aboitiz Power- Magat and involves the construction of an 8.5 MW run-of-river hydroelectirc power plants. The project, which broke ground in late 2015, is targeted to be completed by year-end 2017.

Other Greenfield and Brownfield developments.

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

600-MW (net) Coal-Fired Power Plant in Subic. This is a project by RP Energy, a joint venture among Meralco PowerGen Corporation (MPGC), AboitizPower's Subsidiary, TPI and TCIC. The project

involves the construction and operation of a 2x300 MW (net) 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 is a project by SN Aboitiz Power – Ifugao, Inc. and involves the construction of a 120 MW Alimit hydroelectric power plant, 250 MW Alimit pumped storage facility, and the 20 MW Olilicon hydropower plant. It is currently at the permitting stage.

AboitizPower entered into an agreement with PT Medco Power Indonesia to participate in the exploration and development of a potential 2x55 MW greenfield geothermal power plant in East Java Province, Indonesia. Currently, slim-hole drilling is currently being conducted, with expected results of the drilling from by mid 2016.

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 hydroelectric power generation project along the Lariang River in Central Sulawesi, Indonesia. PT Auriga Energi, the project company, was awarded the basic license to develop the project. It is currently conducting pre-feasibility studies.

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.

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 (GRESCs) by the DOE.

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

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

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

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.

The PBR replaced the RORB mechanism which has historically determined the distribution charges paid by customers. Under PBR, distribution utilities can collect from customers over a four year regulatory period.

The ERC has also implemented a Performance Incentive Scheme 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.

The second regulatory period of AboitizPower's distribution utilities ended on the following dates: (i) Cotabato Light on March 31, 2013; (ii) VECO and Davao Light on June 30, 2014; and (iii) SEZ and

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

III. Generation Business Market and Industry Developments

1. Retail Competition and Open Access

The implementation of Open Access starting June 26, 2013 enabled AboitizPower to increase its contracted capacity through the delivery of power to affiliate and non-affiliate RES companies. AboitizPower has two wholly owned Subsidiaries, AESI and AdventEnergy, which are licensed RES.

In 2015, the DOE released a 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 companies, and prospective generation companies.
- 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.

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, the Mindanao grid is expected to have more than enough power supply.

3. Reserve Market

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

The trial operations started on February 26, 2014, and PEMC is still reviewing its results before certifying for market readiness. The Pricing and Cost Recovery Mechanism of the Reserve Market is still under review by the ERC under ERC Case No. 2007-004RC. The last hearing was on March 13, 2014.

The Reserve Market will cover three reserve categories, namely: Frequency Regulation, Contingency Reserve and Dispatchable Reserve. The Reserve Market will also include the

scheduling of the ancillary services under Ancillary Services Procurement Agreement with NGCP. No date has been set for the launch of the Reserve Market.

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

AboitizPower, through the SN Aboitiz Power - Benguet, SN Aboitiz Power - Magat and TLI, is well-positioned to take advantage of this opportunity.

4. Feed-in-tariff (FIT) scheme

The RE Law was signed into law by former President Gloria Macapagal-Arroyo on December 16, 2008 and became effective in January 2009. The RE Law offered fiscal and non-fiscal incentives to RE developers, including the FIT 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	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 DOE*

On July 23, 2012, the ERC promulgated ERC Resolution No. 10, Series of 2012, with approved solar FIT rate of ₱P9.68/ 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 full subscription of the revised solar installation target of 500 MW or on March 15, 2016, whichever is earlier. The original solar FIT of ₱9.68/kWh shall apply to solar plants which have been commissioned prior to the effectivity of the ERC (up to 50 MW) decision.

The DOE endorsed the increase of wind installation target from 200 MW to 400 MW. The new FIT rate for wind is currently awaiting the ERC decision. This development may increase market opportunities for all players.

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 security and certainty of electricity prices of electric power to end-users. The following are principles that will guide the Distribution Utilities in undertaking CSPs:

- 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:

- Distribution Utility 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 Distribution Utility received at least two qualified bids from entities which the Distribution Utility is not prohibited from entering into a contract for power supply; and
- For two unsuccessful CSPs, the Distribution Utility is allowed to enter into direct negotiations.

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

6. Maintaining the Share of RE in the Installed Capacity

The DOE released their 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 Law on FIT System, Priority and Must Dispatch, Among Others" in August 2015. 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 Law and RE Implementing Rules and Regulations (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
- Lastly, compliance with the provisions stated in the Circular shall be deemed compliance with the Renewable Portfolio Standard (RPS).

AboitizPower's current net sellable capacity mix is roughly 60% non-renewable 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 bn in capital expenditure this year, of which 62% is for new non-renewable projects, 17% for new renewable projects and 21% for exploratory and operating activities.

Banking & Financial Services

Union Bank of the Philippines, Inc. (UnionBank)

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

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

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

UnionBank will also promote customer advocacy by cultivating employee engagement throughout the organization. The bank believes that by doing this, it 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 teams as well as its attained technological and financial capabilities will catapult both banks to greater heights towards elevating the lives of its stakeholders and the communities it serve.

UnionBank has allocated ₱871 mn 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. PETNET will push this program and will do a brand reboot to effectively communicate the expanded services available, as well as the new ownership and its values.

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 mn 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 4 mn 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 a 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 bn capex for the year in support of various initiatives for its flour, feeds, and farms divisions, as well as pursuing opportunities in the region.

Land

Throughout its existence, AboitizLand has placed high regard in creating nurturing communities for its *vecinos* (Spanish term for neighbors). As a testament to this, it has built uniquely crafted communities for over 4,600 Filipino families, partnered with about 70 merchants in commercial developments, and housed various big, world-class locators in its industrial parks. Today, AboitizLand remains steadfast on its mission while constantly on the lookout for opportunities to grow locally and nationally.

The year 2015 was all about planting seeds and laying the groundwork for the future. Seeing positive economic indicators, AboitizLand found it high time to enhance capability and build up capacity. Proper investments in talent, partnerships, processes, systems, and projects were made to position the company for aggressive growth.

In the residential business unit, AboitizLand launched Amoa, a 50-hectare property in Northern Cebu catering to the mid-market, selling three times above target and exceeding normal sales velocity. New

inventories were also opened in Priveya Hills, a community catering to the high-end market. AboitizLand forged a strategic partnership with Metaphil, the construction arm of the Aboitiz Group, to support the implementation of these projects. Various projects in Luzon and Visayas also commenced conceptualization stage. These moves are aligned with the pursuit of intensifying AboitizLand's market presence and taking the business to a national level.

In the commercial business unit, 2015 marked the completion of the expansion area of The Outlets at Pueblo Verde. Shoppers will soon experience more choices and year-round discounts as new, established merchants like Oakley, Onitsuka Tiger, Skechers, Asics, and Bench Depot open their doors. AboitizLand also launched The Outlets' newest culinary strip called Fork in the Road – the freshest dining destination in Mactan – which has also become the new haven of homegrown restaurants like Zubuchon, Manggahan, Pigafetta, and Big Flat Bread. These projects show AboitizLand's commitment to invigorate and grow its communities.

The industrial business unit consistently exceeded sales target in the last two years, increasing its contribution to the company's consolidated income. This shows that AboitizLand successfully captured the spike in interest and intends to sustain such growth.

Looking ahead, the next few years will still be about planting seeds from which the company will reap tomorrow's harvest. AboitizLand aims to reach sufficient scale and capability to significantly contribute to AEV's portfolio and deliver better-than-average returns to stakeholders.

AboitizLand plans to intensify its land banking efforts in 2016 in provincial growth areas. More projects will be launched to serve unmet demand and to enter the national scene. CDPEI, the joint venture between AboitizLand and AyalaLand, is looking forward to the launch and groundbreaking of its commercial block by first half of 2016. The industrial business unit will further expand to cater to more world-class industries.

Overall, growth plans are on track. This year and the next, AboitizLand will continue to build and reinvent itself, as well as plant seeds for the future, to grow into a better and stronger player in the real estate industry.

AboitizLand is spending ₱2.7 bn to acquire more industrial and residential land, as it continues to expand its business outside of Cebu, and onto the national arena. For residential, its target is to acquire 80 hectares in 2016. For industrial, its target is to acquire additional 25 hectares and sell 20 hectares in 2016.

Infrastructure

AEV foresees huge public and private investments in the sector over the next 10-15 years and intends to play an active role in the many opportunities in this space. Infrastructure meets the Company's growth criteria by being scalable, diversifying income streams, tapping on existing core competencies and providing AEV with strong recurring profits and cash flow.

AEV and Cement Roadstone Holdings plc, through their investment vehicles AEV CRH and CRH Aboitiz, closed the acquisition of the Lafarge S.A. Philippine assets on September 15, 2015. Lafarge has been renamed Republic Cement and Building Materials, Inc. (RCBM). RCBM holds assets that represent second position in the market with a production capacity of 6.5 mn metric tons per year.

AEV expects continuous economic growth in the Philippines driven by double digit growth in private sector spending on residential housing and the country's growing spending on infrastructure demand. Robust cement sales are expected to continue this year, with the industry seen growing another 14 % on the back of election-related construction expenditure, government spending and public works.
The local industry expects to be able to meet the government and private sector's demand. RCBM has inaugurated the ₱92 mn expansion of its Norzagaray plant in Bulacan which will add 850,000 tons a year of capacity and also enhance the company's sustainable manufacturing processes through its energy efficiency features.

Year Ended December 31, 2014 vs. Year Ended December 31, 2013

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

TOP FIVE KEY PERFORMANCE INDICATORS

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

1. **EQUITY IN NET EARNINGS OF INVESTEES**

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

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

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

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

3. **CASH FLOW GENERATED**

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

4. **CURRENT RATIO**

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

5. **DEBT-TO-EQUITY RATIO**

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

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

	JAN-DEC 2014	JAN-DEC 2013
EQUITY IN NET EARNINGS OF INVESTEES	**7,244,241**	10,596,577
EBITDA	**38,355,609**	36,492,444
CASH FLOW GENERATED:		
Net cash flows from operating activities	**27,104,460**	25,343,680
Net cash flows used in investing activities	**(14,423,246)**	(12,645,557)
Net cash flows from (used) in financing activities	**1,663,025**	(10,352,608)
Net Increase in Cash & Cash equivalents	**14,344,329**	2,345,515
Cash & Cash Equivalents, Beginning	**36,118,190**	33,730,531
Cash & Cash Equivalents, End	**50,481,566**	36,118,190
	DEC. 31, 2014	**DEC. 31, 2013**
CURRENT RATIO	**2.76**	2.64
DEBT-TO-EQUITY RATIO	**1.08**	1.02

DISCUSSION ON KEY PERFORMANCE INDICATORS:

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

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

Associates continued to generate substantial earnings and enhance the consolidated bottomline, despite the 32% decline in their income contribution to the Group. Consolidated EBITDA, which increased by 5%, translated into additional cash inflows coming from subsidiaries' operations and from dividend payments of associates. The internally-generated funds were then used to finance capital expenditures, settle maturing financial obligations and pay cash dividends.

With higher borrowings at the end of December 2014, debt-to-equity ratio edged up to 1.08x (versus end-2013's 1.02x). Meanwhile, current ratio improved to 2.76x (versus end-2013's 2.64x) as increase in current assets outpaced the increase in current liabilities.

Review of Jan-Dec 2014 Operations versus Jan-Dec 2013

Results of Operations

For the year ended December 2014, AEV and its subsidiaries posted a consolidated net income of ₱18.38 billion (bn), a 13% YoY decrease. This translates to an earnings per share of ₱3.32 for the year in review. In terms of income contribution, power group still accounted for the bulk at 71%, followed by the banking, food and real estate groups at 18%, 7% and 4%, respectively.

The Group generated a non-recurring net gain of ₱436 million (mn) (versus ₱22 mn in 2013) mainly from the ₱634 mn gain generated from the sale of AEV's investments in Abojeb Group and in Cebu International Container Terminal, Inc. (CICTI), a non-operating associate. This was partly offset by ₱113 mn foreign exchange loss on the revaluation of dollar-denominated loans and placements, and ₱89 million transaction costs on sale of Lima Utilities Corporation, now Lima Enerzone Corporation (Lima Enerzone or LEZ) to AP. Stripping out these one-off items, the Group's core net income for the current period amounted to ₱17.94 bn, down 15% YoY.

Business Segments

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

Power

Aboitiz Power Corporation (AP or AboitizPower) ended the year with an income contribution of ₱12.75 bn, a 10% decrease from last year's ₱14.20 bn.

AP's generation group reported an 11% YoY drop in earnings contribution to AEV, from ₱11.7 bn to ₱10.4 bn, substantially attributed to the full year impact of the implementation of the Geothermal Resource Supply Contract (GRSC) for the Tiwi- MakBan plants, lower equity earnings from SN Aboitiz Power-Magat, Inc. (SNAP-Magat or SN Aboitiz Power-Magat) owing to the limited operations of its hydro plant due to low water levels, and higher income tax provisions resulting from the expiry of Pagbilao and Magat plants' income tax holiday during the year. The large hydros were also adversely affected by lower average prices for both its spot and ancillary rates.

Generation group's attributable net generation for the year in review grew by 3% YoY, from 10,949 gigawatt hours (GWh) to 11,272 GWh, due to the 7% YoY growth in power sales through bilateral contracts. Attributable sales on a capacity basis increased by 13% YoY to 1,800 MW. The growth was partly driven by Therma Mobile, Inc., which was able to offer its full capacity of 200 MW in the second quarter of 2014. Increase in water levels in the second half of 2014 as a result of typhoons led to a strong recovery in ancillary sales during this period. On the other hand, spot market sales decreased by 16% from 1,914 GWh to 1,612 GWh as low water levels constrained the operations of Magat, Ambuklao and Binga plants.

Meanwhile, AP's distribution group's earnings contribution to AEV remained flat at ₱2.5 bn. Driven by the 15% growth in industrial sales and the incremental increase contributed by the newly-acquired Lima Enerzone, attributable electricity sales rose by 10% to 4,480 GWh from 4,076 GWh a year ago. This improvement though was tempered by higher costs incurred by Davao Light and Power Company, Inc. and Cotabato Light & Power Company due to the running of their embedded plants to cover for the shortfall in the Mindanao grid during the year.

Banking

Income contribution from this industry group fell 21%, from ₱4.11 bn to ₱3.24 bn for the year in review.

Union Bank of the Philippines (UnionBank or UBP)'s full-year net income for 2014 was lower at ₱6.84 bn (vs ₱9.03 bn in 2013) mainly due to the 35% drop in total other income to ₱8.16 bn largely in view of exceptionally hefty trading gains posted during the previous year. This decline was partially countered by the 20% growth to ₱10.64 bn in net interest income, anchored on the robust expansion in earning assets coupled with the continuous reduction in average costs of interest-bearing liabilities, and the 34% jump to ₱3.27 bn in service charges, fees and commission as a result of the strong expansion in retail loans.

Food

Income contribution from Pilmico Foods Corporation (PFC or Pilmico) and its subsidiaries amounted to ₱1.31 bn, up 4% YoY, mainly attributed to the strong performance of Farms division with its net income doubling to ₱377 mn from ₱188 mn last year. On the other hand, the Flour division posted weak performance due to higher wheat cost and other manufacturing expenses. Moreover, the impact of the expiration of the income tax holiday (ITH) of the Iligan Feedmill also dragged the Feeds division's earnings.

Real Estate

Full-year income contribution of Aboitiz Land, Inc. amounted to ₱633 mn, 132% higher than ₱273 mn last year. Revenues reached the ₱3.0 bn mark, 86% higher than last year. Industrial revenues were up by 161% YoY mainly due to the fresh revenue contribution of Lima Land, Inc. (Lima Land), which was fully acquired in February 2014. Residential segment revenues likewise grew by 31% as construction of its projects were now in full swing. Commercial revenues also registered a 123% growth primarily due to The Outlets in Mactan, Cebu which achieved 100% occupancy within its first year of operations.

Material Changes in Line Items of Registrant's Statements of Income and of Comprehensive Income

For the year ended December 30, 2014, consolidated net income allocable to the equity holders of AEV registered a 13% decline, reaching ₱18.38 bn from ₱21.03 bn posted in the previous year.

Operating profit for the current year amounted to ₱24.55 bn, a 16% increase YoY, as the ₱18.99 bn increase in revenues surpassed the ₱15.67 bn rise in costs and expenses. This increase was mainly attributed to the performance of power and real estate groups and the full contribution of Visayan Electric and Company, Inc. (VECO) which was consolidated towards the end of the second quarter of 2013.

Power subsidiaries reported a 15% YoY increase in operating profit from ₱19.48 bn to ₱22.35 bn mainly due to the following: a.) full consolidation in 2014 of VECO's positive margins which substantially accounted for the ₱1.09 bn increase; b.) ₱4.34 bn profit growth of the Therma Power, Inc.'s subsidiaries attributed to lower fuel and purchased power costs of Therma Luzon, Inc. (TLI), better selling prices of Therma Marine, Inc., and the fresh contribution from the rehabilitated barges of Therma Mobile, Inc.; c.) ₱207 mn fresh contribution of profits from RES group and LEZ. Said increase was offset by the ₱2.80 bn plunge in margins of renewable power group mainly attributed to AP Renewables, Inc. (APRI)'s higher fuel cost resulting from the full effect of the implementation of the GRSC for its Tiwi-MakBan plants. Real estate group also reported an increase in operating income by 174% (₱1.03 bn vs ₱377 mn) largely from the fresh gross profit contribution of its newly-acquired subsidiary, Lima Land. Food group however, showed a slight 1% dip in operating profit (₱1.77 bn vs ₱1.79 bn) resulting from weaker Flour margins offset by better performance of the Farms division.

Share in net earnings of associates dropped by 32% YoY (₱7.24 bn vs ₱10.60 bn in 2013) due to the decline in income contributions of UBP and power associates, and the consolidation of VECO whose income contribution was reported as equity earnings for the first half of 2013. The decrease in UBP's earnings was attributed to lower trading gains. For the power associates, the dip in net income resulted from the decrease in ancillary service revenue of SNAP-Magat at the back of low water levels, and STEAG State Power, Inc.'s unscheduled plant shutdown starting end of February until May, 2014.

The drop in equity earnings, coupled with the increase in income tax provision more than offset the increase in operating profit and other income, and as a result, pulled down the Group's over all profitability. Net interest expense increased by 16% to ₱6.11 bn due to higher average net debt level during the year in review.

Other income rose by 252% YoY (₱1.91 bn vs ₱541 mn in 2013) mainly due to lower foreign exchange (FX) loss (₱199 mn vs ₱1.99 bn in 2013), resulting from the restatement of the dollar-denominated debt and placements of the power group. Said increase was countered by the lower gains amounting to ₱634 mn generated from the sale of Abojeb and CICTI versus the ₱1.3 bn gain reported in the same period last year from the sale of City Savings Bank, Inc. (CSB) shares, and the transaction cost of ₱89 mn incurred in the acquisition of LEZ by AP during the current period.

The 354% increase in provision for income tax (₱4.03 bn vs ₱887 mn in 2013) was mainly due to the expiry of TLI's ITH at the end of 2013.

Net income attributable to non-controlling interests remained at ₱5.18 bn.

AEV's consolidated comprehensive income attributable to equity holders increased by 20%, from ₱16.98 bn in 2013 to ₱20.35 bn in 2014. This was mainly due to the recognition of ₱1.91 bn AEV's share of the unrealized fair valuation gains on the AFS investments of its banking associate, versus the ₱4.25 bn loss recorded in 2013. Said improvement in other comprehensive income was partly offset by the ₱2.65 bn decline in consolidated net income.

Changes in Registrant's Resources, Liabilities and Shareholders' Equity

Assets

Compared to year-end 2013 level, consolidated assets increased 14% to ₱281 bn as of December 30, 2014, due to the following:

a. Cash & Cash Equivalents increased by 40% (₱50.48 bn vs ₱36.12 bn as of December 31, 2013) mainly due to the excess cash by AP and AEV parent companies generated from AP's retail bond issuance in September 2014 and AEV's sale of treasury shares in the third quarter of 2014, and majority of the subsidiaries' excess internally-generated funds.

b. Derivative Assets (current and non-current) increased by 264% (₱113 mn vs ₱31 mn as of December 31, 2013) mainly due to unrealized mark-to-market gains recognized on outstanding hedging instruments during the current period.

c. Investments in and Advances to Associates increased by ₱4.36 bn (₱52.28 bn vs ₱47.91 bn as of December 31, 2013) mainly due to the following: 1.) ₱1.5 bn capital infusion in Cebu District Property Enterprise Inc., b.) recording of the ₱7.24 bn share in earnings of associates, and c.) recognition of ₱1.91 bn share of a banking associate's fair valuation gains on its AFS investments. This increase was partially reduced by the ₱5.76 bn cash dividends received from associates and ₱249 mn sale of CICTI during the current period.

d. Gross of depreciation expense, the resulting ₱18.47 bn combined growth in Property Plant and Equipment (PPE), Investment Properties (IP), and Land and Improvements (LI) was mainly due to the following: 1.) ₱13.13 bn on-going construction of Davao, Pagbilao 3 and Cebu coal plants and Tudaya and Sabangan hydro power plants; 2.) P665 mn on-going construction of Aseagas Corporation (Aseagas) biomass plant; 3.) ₱462 mn ongoing construction of new swine farms and other food group capital expenditures; 4.) ₱174 mn PPE of Vinh Hoan, a newly acquired subsidiary; 5.) ₱457 mn purchase of additional land for future development by the real estate group; and 6.) ₱3.55 bn various capex of the power group.

e. Pension Asset increased by 34% (₱134 mn vs ₱100 mn in December 2013) substantially due to the retirement contributions made by the Group during the year, reduced by benefits paid to retiring employees.

f. Goodwill increased by 16% (₱1.55 bn vs ₱1.33 bn as of December 31, 2013) due to the positive goodwill amounting to ₱394 mn generated from the acquisition of Vinh Hoan shares. This was partly offset by the reduction of the ₱179 mn provisional goodwill on VECO investment upon finalization of the fair value exercise related to the step acquisition made in 2013.

g. Other Noncurrent Assets (ONCA) increased by 36% (₱11.38 bn vs ₱8.37 bn as of December 31, 2013) primarily due to the build-up of deferred input VAT by the power group arising from the ongoing construction of its power plants.

The above increases were tempered by the following decreases:

a. Inventories decreased by 12% (₱7.66 bn vs ₱8.76 bn as of December 31, 2013) mainly due to lower inventory levels carried by power and food groups.

b. Intangible Asset-Service Concession Rights decreased by 7% (₱3.40 bn vs ₱3.66 bn in December 2013) mainly due to the amortization charged to consolidated net income during the period.

c. Deferred Income Tax Assets (DTA) decreased by 43% (₱350 mn vs ₱610 mn in December 2013) mainly due to the following: 1.) ₱581 mn reversal in 2014 of the deferred tax benefit on Net Operating Loss Carry Over (NOLCO) that was set up in December 2013, resulting from the application of this NOLCO against the generated taxable income in 2014; and 2.) ₱83 mn combined reversal in 2014 of deferred

tax benefits on impairment provisions and unamortized contributions for past service, resulting from the actual write-off of certain accounts and claiming a portion of the unamortized past service contribution as a tax-deductible expense, respectively.

The above decrease was partly offset by the ₱397 mn reclassification of deferred tax liability on accumulated FX gain from DTA to Deferred Income Tax Liability (DTL). Said reclassification was done to reflect the shift of the concerned group's position from net DTA in December 2013 to net DTL in December 2014.

Liabilities

Consolidated short-term bank loans increased by 85% (₱7.34 bn vs ₱3.96 bn in December 2013) while long-term liabilities increased by 22% (₱111.44 bn vs ₱91.67 bn as of December 31, 2013). The increase in short-term loans was mainly due to availment by the Food and Real Estate Groups for working capital requirements. The ₱19.77 bn rise in long-term debt was substantially due to the ₱10 bn retail bond issuance by AP, ₱10.43 bn additional loan availment by Therma South, Inc. to finance ongoing coal plant construction, and ₱995 mn availment for Aseagas plant construction. Said increase was partly offset by the ₱1.60 bn principal amortization payments on long-term loans and finance lease obligation.

Trade and other payables, inclusive of noncurrent portion, were lower by 16%, from ₱18.96 bn to ₱15.98 bn, mainly due to the ₱2.37 bn net settlement by power subsidiaries of their trade payables and the deconsolidation of Abojeb's ₱250 mn payable accounts.

Income tax payable increased by 56%, from ₱444 mn to ₱695 bn due to recording of additional income tax liability for the current period mainly as a result of the expiry of TLI's ITH in December 2013.

Derivative liabilities decreased by 100% from ₱23 thousand to nil due to the mark-to-market gains recognized by a power subsidiary on its interest rate swap contract.

Customers deposits increased by 10%, from ₱5.42 bn to ₱5.94 bn mainly due to the growth in the customer base of power distribution subsidiaries.

Asset retirement obligation (ARO) increased by 17% from ₱2.01 bn to ₱2.35 bn due to accretion of the liability resulting from the passage of time.

Pension liability decreased by 22%, from ₱705 mn to ₱550 mn mainly on account of retirement contributions made by certain subsidiaries during the current year and the deconsolidation of Abojeb's ₱70 mn account.

Deferred income tax liabilities (DTLs) rose by 28%, from ₱1.37 bn to ₱1.76 bn, mainly due to the reclassification of ₱397 mn DTL on accumulated FX gain from DTA in 2013 to DTL in 2014.

Equity

Equity attributable to equity holders of the parent increased by 11% from year-end 2013 level of ₱96.93 bn to ₱107.94 bn, mainly due to the following: a.) ₱8.44 bn increase in Retained Earnings resulting from the ₱18.38 bn net income recorded during the year, reduced by the ₱9.94 bn cash dividends paid; b.) ₱917 mn sale of treasury shares; and c.) ₱1.91 bn share in a banking associate's unrealized mark-to market gains on its AFS investments. This was partially countered by the ₱314 mn acquisition of non-controlling interest generated from the purchase of the remaining 40% share in Lima Land and the acquisition of LEZ by AP.

Material Changes in Liquidity and Cash Reserves of Registrant

For the year ended December 2014, the Group continued to support its liquidity mainly from cash generated from operations, additional loans availed and dividends received from associates.

Compared to the cash inflow in 2013, consolidated cash generated from operating activities in 2014 increased by ₱1.76 bn to ₱27.10 bn, mainly due to the growth in earnings before interest, depreciation and amortization

(EBIDA) recorded by subsidiaries during the current year despite higher income taxes paid and settlement of trade payables.

The current period ended up with ₱14.42 bn net cash used in investing activities versus ₱12.65 bn last year. This was mainly due to higher funds spent on the ongoing plant constructions, investment in an associate and a subsidiary, and a step acquisition of a subsidiary. On disposal of investments, cash generated from the sale of CSB last year was more, vis-a-vis the sale of CICTI and Abojeb during the period in review.

Net cash from financing activities was at ₱1.66 bn, versus ₱10.35 bn used in 2013. This was attributed to the higher net debt availment of the Group and lower cash dividend payment by the registrant during the current period as compared with last year.

For the period in review, net cash inflows surpassed cash outflows, resulting in a 40% increase in cash and cash equivalents, from ₱36.12 bn as of year-end 2013 to ₱50.48 bn as of December 30, 2014.

Financial Ratios

Backed by strong operating cash inflows, liquidity was adequately preserved. Current ratio stood at 2.76x, from 2.64x at the start of the year, since current assets grew stronger than current liabilities. Both debt-to-equity and net debt-to-equity ratios climbed slightly to 1.08:1 (versus year-end 2013's 1.02:1) and 0.50x (versus year-end 2013's 0.48x), respectively. This was mainly due to the growth in total liabilities outpacing the increase in equity.

Year ended December 31, 2013 vs. Year ended December 2012

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

Adoption of Philippine Accounting Standard (PAS) 19, Employee Benefits (Revised)

On January 1, 2013, the Group adopted the amended PAS 19. Consequently, the 2012 and 2011 consolidated financial statements have been restated to comply with the required retrospective application of said standard.

Top Five Key Performance Indicators

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

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

	JAN-DEC 2013	JAN-DEC 2012 (As restated)
EQUITY IN NET EARNINGS OF INVESTEES	**10,596,577**	13,322,144
EBITDA	**36,492,444**	40,870,873
CASH FLOW GENERATED:		
Net cash provided by operating activities	**25,343,680**	25,473,439
Net cash used in investing activities	**(12,645,557)**	(1,551,918)
Net cash used in financing activities	**(10,352,608)**	(19,693,620)
Net Increase in cash & cash equivalents	**2,345,515**	4,227,901
Cash & cash equivalents, beginning	**33,730,531**	29,543,492
Cash & cash equivalents, end	**36,118,190**	33,730,531
	DEC. 31, 2013	**DEC. 31, 2012**
CURRENT RATIO	**2.64**	2.57
DEBT-TO-EQUITY RATIO	**1.02**	0.97

DESCRIPTION OF KEY PERFORMANCE INDICATORS:

1. **EQUITY IN NET EARNINGS OF INVESTEES**

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

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

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

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

3. **CASH FLOW GENERATED**

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

4. **CURRENT RATIO**

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

5. **DEBT-TO-EQUITY RATIO**

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

DISCUSSION ON KEY PERFORMANCE INDICATORS:

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

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

Associates continued to generate substantial earnings and enhance the consolidated bottomline, even with the 20% decline in their income contribution to the Group. Consolidated EBITDA 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, prepay debt, and distribute cash dividends to stockholders.

Despite higher fund usage this year compared to 2012, the financial position of the Group remained strong, as indicated by healthy financial ratios at the end of December, 2013.

Review of January - December, 2013 Operations vs January - December, 2012

Results of Operations

For the year 2013, AEV and its subsidiaries posted a consolidated net income of ₱21.03 billion, a 12% YoY decrease. This translates to an earnings per share of ₱3.81. In terms of income contribution, power group still accounted for the bulk at 72%, followed by the banking, food and real estate groups at 21%, 6% and 1%, respectively.

The Group generated a non-recurring net gain of ₱22 million (versus ₱541 million in 2012), which comprised the following: 1.) ₱1.44 billion share of power group's net foreign exchange losses from the revaluation of dollar-denominated loans and placements; 2.) ₱1.30 billion gain generated mainly from the sale of CSB shares by AEV and PILMICO; and 3.) ₱161 million share of power group's one-time net gain primarily due to the step-acquisition of a subsidiary. Stripping out these one-off items, the Group's core net income for the current period amounted to ₱21.0 billion, down 10% YoY.

Business Segments

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

Power

Aboitiz Power Corporation (AP or AboitizPower) ended the year with an income contribution of ₱14.20 billion, a 24% decrease from last year's ₱18.77 billion.

AP's generation group reported a 33% YoY dip in earnings contribution to AEV, from ₱17.4 billion to ₱11.7 billion, attributed to the lower margins registered by the Pagbilao plant, higher fuel cost brought about by the implementation of the Geothermal Resource Supply Contract of the Tiwi-MakBan plants, decrease in ancillary sales and average selling prices. The decline in ancillary service revenue of certain power associates was mainly due to the lower acceptance rate by the National Grid Corporation of the Philippines ("NGCP"). As compared to 2012 levels, average selling prices decreased by 3% resulting from the 7% drop in average selling rates of the group's bilateral contracts. While average spot market prices increased by 9%, the Group's exposure to the spot market significantly declined in line with the generation companies' shift into de-risked capacity based contracts. The decline in selling prices negatively affected the revenues of both generation subsidiaries and associates.

Generation group's attributable net generation for the year in review grew by 3% YoY, from 10,660 gigawatthours (GWh) to 10,949 GWh due to increase in demand. Spot market sales grew by 37% YoY from 1,398 GWh to 1,914 GWh, while power sales through bilateral contracts for the year declined by 2% from 9,961 GWh to 9,035 GWh. On a capacity basis, the group's attributable sales increased by 3% YoY from 1,547 MW to 1,590 MW as a result of higher bilateral capacity and spot market sales despite lower sales for ancillary service as well as a decrease in bilateral energy sales.

Meanwhile, AP's distribution group registered a 14% YoY rise in earnings contribution to AEV, from ₱2.17 billion to ₱2.48 billion. Driving this growth was the 5% YoY expansion in the power consumption of residential customers and the 3% YoY increase in both commercial and industrial segments. Approved rate adjustments under the Performance-Based Rate setting (PBR), and lower systems loss as a result of the initiatives implemented during the current period, also enhanced the group's profit margins.

Banking

Income contribution from this industry group grew by 7%, from ₱3.85 billion to ₱4.11 billion. With Union Bank of the Philippines' (UBP) purchase of City Savings Bank, Inc. (CSB or CitySavings) and the resulting consolidation of CSB into UBP, the banking group is now comprised of only UBP.

UBP's full-year net income for 2013 was higher at ₱9.03 billion (vs ₱7.61 billion in 2012) mainly due to the 184% growth in feebased revenue (₱2.4 billion vs. ₱862 million in 2012) and the 22% growth in net interest income (₱8.9 billion from ₱7.3 billion in 2012) due largely to the YoY expansion in the average level of earning assets notwithstanding compression in asset yields. The over-all increase in revenue was partially offset by the 21% rise to ₱10.4 billion in operating expenses.

Food

Income contribution from Pilmico Foods Corporation (PFC or Pilmico) and its subsidiaries amounted to ₱1.26 billion, down 3% YoY, mainly attributed to the weaker performance of the Feeds divisions as input costs remained higher compared to the previous year. Meanwhile, the Flour and Farms divisions registered growth in income attributable to lower interest expense as a result of the pre-termination of a long-term loan in Flour and higher selling prices coupled with lower input costs in Farms.

Real Estate

The full-year income contribution of AboitizLand amounted to ₱273 million. Revenues of ₱1.8 billion mainly came from the residential segment which generated 57% of the sales. Meanwhile, the industrial segment contributed 40% to total revenues, with commercial and property management segments accounting for the remaining 3%.

The ₱708 million revenues registered by the industrial segment includes ₱339 million in revenue contribution from Lima Land. AboitizLand acquired 60% of Lima Land in October 2013. The remaining 40% stake was acquired in February 2014.

Material Changes in Line Items of Registrant's Statements of Income and of Comprehensive Income

For the period ended December 30, 2013, consolidated net income allocable to the equity holders of AEV registered a 12% decline, reaching ₱21.03 billion from ₱23.96 billion posted in the previous year.

Operating profit for the current year amounted to ₱21.22 billion, an 8% decrease YoY, as the ₱11.58 billion increase in costs and expenses surpassed the ₱9.86 billion rise in revenues. This decline was mainly attributed to the performance of power group and the deconsolidation of CSB.

Power subsidiaries reported a 5% YoY decline in operating profit from ₱20.46 billion to ₱19.48 billion substantially due to the drop in margins reported by AP Renewable, Inc. (APRI) and Therma Luzon, Inc. (TLI). For APRI, the contraction was due to the decrease in MWh sold and increase in fuel costs. For TLI, its negative margins in the fourth quarter of 2013 was attributed to the expensive replacement power it had to purchase to serve its sales contracts when Pagbilao plant was shut down for scheduled and unscheduled repairs. These decreases were partially countered by the increase resulting from the first-time consolidation of VECO's positive margins. With AP's step acquisition of VECO into a subsidiary in 2013, VECO's accounts were now consolidated into the Group's financial statements.

As a consequence of AEV and PILMICO's sale of their investment in CSB to UBP, an associate, CSB's accounts were deconsolidated from the Group's financial statements at the start of 2013. This deconsolidation of CSB, which contributed ₱793 million to the Group's operating profit in 2012, accounted for the additional drop in the Group's 2013 operating profit.

Adding to the decline in operating profit, equity earnings in associates and other income also reduced, but was partially offset by the decrease in net interest expense and income tax provision. The 20% YoY drop in net

interest expense (₱5.27 billion vs ₱6.56 billion in 2012) was mainly attributed to lower level of debt in early 2013 resulting from the pre-termination of longterm loans during the second half of 2012 and the first half of 2013.

Share in net earnings of associates dropped by 20% YoY (₱10.60 billion vs ₱13.32 billion in 2012) principally due to the decline in income contribution of power associates. SN Aboitiz Power-Magat, Inc. (SNAP-Magat) and SN Aboitiz Power-Benguet, Inc. (SNAP-Benguet) reported sharp decrease in ancillary service revenue at the back of lower acceptance rate by the NGCP. Said decrease was partially made up by the increase in the Group's share of UBP's income. Said improvement was attributed to the growth in UBP net income and the increase in AEV's ownership in UBP from 44.8% to 47.4%.

Other income declined by 77% YoY (₱541.5 million vs ₱2.35 billion in 2013) mainly due to foreign exchange (FX) losses (₱1.99 billion losses vs ₱1.62 billion gains in 2012), resulting from the restatement of the dollar-denominated debt of the power group under a depreciating peso scenario as of the end of the current period, vis-à-vis an appreciating peso scenario as of end of 2012. This decrease was partially countered by the ₱1.3 billion gain generated from the sale of CSB shares by AEV and PILMICO during the period in review.

The 54% decrease in provision for income tax (₱887 million vs ₱1.91 billion in 2012) was mainly due to the ₱898 million deferred tax benefits recognized on the unrealized foreign exchange losses and Net Operating Loss Carryover (NOLCO) recorded by the power group. This was in contrast to the ₱358 million deferred tax provision that was set up on the unrealized foreign exchange gains generated in 2012. This decline in tax provision was partially offset by the higher income and final taxes reported during the current year, from ₱1.55 billion in 2012 to ₱1.78 billion.

The 16% YoY decline in net income attributable to non-controlling interests was largely due to the decrease in power group's net income, 23% of which belongs to minority shareholders.

AEV's consolidated comprehensive income attributable to equity holders decreased by 27%, from ₱23.31 billion in 2012 to ₱16.98 billion in 2013. This was mainly due to the 1538% increase (₱4.25 billion vs ₱259 million in 2012) in AEV's share of the unrealized mark-to-market losses on the AFS investments of its banking associate.

Changes in Registrant's Resources, Liabilities and Shareholders' Equity

Assets

Compared to year-end 2012 level, consolidated assets increased 11% to ₱247 billion as of December 31, 2013, due to the following:

a. Cash & Cash Equivalents increased by 7% (₱36.12 billion vs ₱33.73 billion as of December 31, 2012) mainly due to the Company's unspent portion of the funds raised from its retail bond issuance in November 2013.

b. Inventories increased by 50% (₱8.76 billion vs ₱5.82 billion in December 2012) substantially due to the first-time consolidation of Lima Land and VECO inventories amounting to ₱2.15 billion and ₱498 million, respectively.

c. Derivative asset increased by ₱28 million (₱31 million vs ₱3 million as of December 31, 2012) due to the mark-tomarket gains recognized during the current period by certain power subsidiaries on their swap contracts and other hedging instruments.

d. Other Current Assets increased by 57% (₱3.90 billion vs ₱2.48 billion as of December 31, 2012) due to the buildup of input VAT resulting from the rehabilitation works done on certain power plants and barges in 2013.

e. Gross of depreciation expense, the resulting ₱27.23 billion combined increase in Property, Plant and Equipment (PPE) and Land and Improvements (LI) was mainly due to the following: 1.) ₱1.65 billion rehabilitation of geothermal power plant and power barges; 2.) ₱14.29 billion on-going construction of Davao coal and Tudaya hydro power plants; 3.) ₱2.28 billion capital expenditures spent by the rest of

the subsidiaries; 4.) ₱2.01 billion increase in PPE equivalent to the asset retirement obligation recognized by APRI starting 2013; and 5.) first-time consolidation of VECO and Lima Land assets valued at ₱5.90 billion and ₱1.10 billion, respectively.

f. Deferred Income Tax Assets increased by 128% (₱610 million vs ₱268 million as of December 31, 2012) mainly due to the corresponding deferred tax benefit recognized on the unrealized foreign exchange losses and NOLCO generated by the power group during the current period.

g. Other Noncurrent Assets (ONCA) increased by 50% (₱8.37 billion vs ₱5.57 billion as of December 31, 2012) due to the ₱1.65 billion build-up of deferred input VAT by the power group arising from the ongoing construction of its coal power plant, and the ₱3.05 billion franchise recognized in 2013 resulting from the consolidation of VECO. Said increase was partially countered by the ₱1.97 billion decrease attributed to the reclassification of advances to contractors. These advances, which were recorded under ONCA upon payment in 2012, were reclassified to PPE in 2013.

The above increases were tempered by the following decreases:

a. Trade and Other Receivables, inclusive of non-current portion, decreased by 29% (₱17.53 billion vs ₱24.64 billion as of December 31, 2012) mainly due to the deconsolidation of CSB's loans receivable amounting to ₱13.33 billion. This decrease was partially offset by the ₱6.23 billion increase in the Group's receivables resulting from the consolidation of VECO and Lima Land accounts and the increase of power generation subsidiaries' trade receivables.

b. Investments in and Advances to Associates decreased by ₱610 million (₱47.91 billion vs ₱48.52 billion as of December 31, 2012) mainly due to 1.)recognition of ₱4.2 billion share of a banking associate's mark-to-market losses on its AFS investments; 2.) collection of ₱6.21 billion cash dividends from associates; and 3.) elimination of ₱1.03 billion gain on the sale of CSB (ie, elimination was booked as a decrease in the carrying value of UBP investment). This decrease was partially offset by the ₱2.04 billion purchase of UBP shares and the recording of ₱10.60 billion share in earnings of associates.

c. Available-for-Sale (AFS) Investments decreased by 13% (₱65 million vs ₱74 million in December 2012) mainly due to the sale of certain AFS investments.

d. Pension Asset decreased by 51% (₱100 million vs ₱203 million in December 2012) due to accrual of defined benefit expense and recognition of additional actuarial losses on the defined benefit plans of subsidiaries during the current period.

e. Goodwill decreased by 19% or ₱305 million (₱1.33 billion vs ₱1.64 billion as of December 31, 2012) due to the de-consolidation of CSB's accounts from the Group's financial statements. The Dec. 31, 2012 carrying value of the investment in CSB included a ₱644 million goodwill which had to be de-consolidated upon sale of said investment in 2013. Impairment of goodwill amounting to ₱369 million on the investment in MEZ was also recognized in 2013. These were partly offset by increases attributed to the ₱708 million goodwill recognized from the Lima Land acquisition and VECO step acquisition.

Liabilities

Consolidated short-term bank loans reduced by 40% (₱3.96 billion vs π6.59 billion in December 2012) while long-term liabilities increased by 16% (₱91.67 billion vs ₱78.74 billion as of December 31, 2012). The decrease in short-term loans was mainly due to the repayments made by food and power groups. The ₱12.93 billion rise in long-term debt was due to ₱20.78 billion new loans of the power group, ₱8.0 billion bond issue of AEV and ₱767 million increase in power group's finance lease obligation resulting from the restatement of the foreign-denominated portion of the debt under a depreciating peso scenario. Said increase was partially offset by the 1.) pretermination of ₱9.1 billion AEV, AP and PILMICO fixed-rate notes, and of ₱3.0 billion Hedcor Sibulan long-term loan; 2.) de consolidation of CSB's ₱4.2 billion long-term loans; and 3.) amortization payments amounting to ₱322 million on existing loans and on a payable to a preferred shareholder of a subsidiary.

Trade and other payables and deposit liabilities, inclusive of noncurrent portion, were lower by 5%, from ₱20.02 billion to ₱18.96 billion, mainly due to the de-consolidation of CSB's deposit liabilities and accounts payable amounting to ₱5.43 billion and ₱3.14 billion, respectively. This was partly offset by increases attributed to power generation subsidiaries' trade payables which rose by ₱4.05 billion, the ₱960 million spike in trade payables of the rest of the subsidiaries, and the consolidation of VECO's payables amounting to ₱2.50 billion.

Income tax payable increased by 107%, from ₱214 million to ₱444 million, due to the recording of the additional income tax liability for the current period as a result of the growth in taxable net income.

Derivative liabilities decreased by 100%, from ₱29 million to ₱23 thousand, due to the mark-to-market gains recognized during the current period by certain power subsidiaries on their swap contracts and other hedging instruments.

Customer deposits were higher by 117%, from ₱2.49 billion to ₱5.42 billion, mainly due to the consolidation of VECO's accounts totalling ₱1.95 billion and the growth in the customer base of the rest of the power distribution subsidiaries.

Asset retirement obligation (ARO) with a balance of ₱2.01 billion as of the end of the current year is a new account set up by APRI in 2013, with PPE as the contra account. It is the long-term liability recognized by APRI on its obligation to decommission, abandon and perform surface rehabilitation on steam field assets upon abandonment of the plant. The amount of the ARO recorded in 2013 represents the present value of the estimated costs that APRI will incur in the future in performing said obligation.

Pension liability increased by 224%, from ₱217 million to ₱705 million, on account of accrual of defined benefit expense and recognition of additional actuarial losses on the defined benefit plans of subsidiaries during the current period.

Deferred income tax liabilities (DTL) increased by 18%, from ₱1.16 million to ₱1.37 billion, mainly due to the ₱914 million DTL set up in 2013 related to the first-time recording of the ₱3.05 billion VECO franchise. The increase was partially offset by the ₱704 million reversal of some deferred tax provision booked in previous years resulting from the unrealized foreign exchange losses recognized during the period in review.

Equity

Equity attributable to equity holders of the parent increased by 6% from year-end 2012 level of ₱91.09 billion to ₱96.93 billion, mainly due to the following: a.) ₱9.98 billion increase in Retained Earnings resulting from the ₱21.03 billion net income recorded during the current period, reduced by the ₱11.04 billion cash dividends paid; and b.) ₱471 million increase in current translation adjustments recorded by investees using US dollars as functional currency. This was partially countered by the ₱4.25 billion share in a banking associate's unrealized mark-to market losses on its AFS investments, and the ₱270 million net increase in actuarial losses on the defined benefit plans of subsidiaries and associates.

Material Changes in Liquidity and Cash Reserves of Registrant

For the year ended 2013, 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 2012, consolidated cash generated from operating activities in 2013 decreased by ₱455 million to ₱25.02 billion, mainly due to the lower earnings before interest, depreciation and amortization (EBITDA) recorded by subsidiaries during the current period and the higher funds used in purchasing additional real estate inventory.

The current period ended up with ₱12.32 billion net cash used in investing activities, compared to ₱1.56 billion last year. This was mainly due to lower cash dividends received from associates, and higher funds used in the purchase of additional UBP shares and ongoing plant constructions and rehabilitation works. This was partly offset by the net proceeds generated from the sale of CSB investment in the current period.

Net cash used in financing activities was lower at ₱10.35 billion, versus ₱19.69 billion in 2012. This decrease was attributed to the net debt availment in 2013, vis-a-vis net debt prepayment in 2012. The higher loan proceeds raised in 2013 more than offset the increase in finance lease amortization payments and cash dividend distribution made during the current year.

For the period in review, net cash inflows surpassed cash outflows, resulting in a 7% increase in cash and cash equivalents, from ₱33.73 billion as of year-end 2012 to ₱36.12 billion as of December 31, 2013.

Financial Ratios

Backed by strong operating cash inflows, liquidity was adequately preserved. Cash and cash equivalents stood at ₱36.12 billion as of December 31, 2013 while current liabilities dipped by 3%, keeping current ratio healthy at 2.64:1. Debt-to-equity rose to 1.02:1 (versus year-end 2012's 0.97:1) while net debt-to-equity ratio was at 0.48x (versus year-end 2012's 0.45x). The increase in debt-to-equity ratio was mainly due to the substantial increase in total liabilities along with a rise in equity.

Item 7. Financial Statements

The audited consolidated financial statements of AEV are incorporated herein by reference. The schedules listed in the accompanying Index to Supplementary Schedules are filed as part of this SEC Form 17-A.

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

AEV has engaged the services of SyCip Gorres Velayo & Co. (SGV) during the two most recent fiscal years. There were no disagreements with SGV on any matter of accounting principles or practices, financial statement disclosures or auditing scope or procedure.

Information on Independent Public Accountant

The accounting firm of SyCip Gorres Velayo & Co. (SGV) has been AEV's Independent Public Accountant for the last 22 years. Ms. Leovina Mae V. Chu is AEV's current audit partner, and has served as such since 2012. AEV complies with the requirements of Section 3(b) (ix) of SRC Rule 68 on the rotation of external auditors or signing partners and the two-year cooling-off period.

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

There was no event in the past 22 years where AEV and SGV or the handling partner had any disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosure or auditing scope or procedure.

For the 2016 Annual Stockholders' Meeting, the stockholders will appoint the Company's external auditor for 2016. The Board Audit Committee and the Board will recommend and endorse to the stockholders an accounting firm to be appointed as the Company's external auditor for 2016. As a matter of policy, the Board Audit Committee selects, monitors, and reviews the independence, performance and effectiveness, scope of work, fees, and remuneration of external auditors, in consultation with the Chief Executive Officer, the Chief Financial Officer, and the Internal Auditor. Where appropriate, the Board Audit Committee may recommend to the Board of Directors the re-appointment of replacement of the current external auditor.

As a matter of policy, the Board Audit Committee makes recommendations to the Board of Directors concerning the choice of external auditor. Ret. Justice Jose C. Vitug is the Chairman of the Board Audit Committee. The members are Messrs. Raphael P.M. Lotilla, Stephen T. CuUnjieng, Roberto E. Aboitiz and Justo A. Ortiz.

External Audit Fees and Services

The external audit and consultancy fees incurred by the Registrant for the years 2015 and 2014 were as follows:

Fee Type	Year ended December 31, 2015	Year ended December 31, 2014
Audit Fees		
Audit Fees	401,846.00	401,705.00
Audit-Related Fees	5,626,405.00	-
Total	**₱6,028,251.00**	**₱401,705.00**
Non-Audit Fees		
Tax Fees	-	-
Consultancy Fees	3,132,059.59	1,948,236.00
Total	**₱3,132,059.59**	**₱1,948,236.00**
Total Audit and Non-Audit Fees	**₱9,160,310.59**	**₱2,349,941.00**

As a policy, the Board Audit Committee makes recommendations to the Board of Directors concerning the choice of external auditor and pre-approves audit plans, scope and frequency before the audit is conducted.

Audit services of external auditors for the years 2015 and 2014 were pre-approved by the Board Audit Committee. The Committee had also reviewed the extent and nature of these services to ensure that the independence of the external auditors is preserved.

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

(a) (1) Directors for 2015-2016

Below is a list of AEV's directors for 2015-2016 with their corresponding positions and offices held in the past five years. The directors assumed their directorship during AEV's Annual Stockholders' Meeting in 2015 for a term of one year.

JON RAMON ABOITIZ
Chairman – Board of Directors
Chairman – Board Corporate Governance Committee
Member – Board Risk and Reputation Management Committee

Mr. Jon Ramon Aboitiz, 67 years old, Filipino, has served as Chairman of the Board of Directors of AEV since January 5, 2009. He was appointed Chairman of the Board Corporate Governance Committee since February 11, 2009 and is a member of the Board Risk and Reputation Management Committee since May 17, 2010. Mr. Aboitiz was President/Chief Executive Officer of AEV since 1994 until his retirement in December 2008. He began his career with the Aboitiz Group in 1970. From a manager of Aboitiz Shipping Corporation, Mr. Aboitiz was promoted to President in 1976. He headed the Aboitiz Group's power business in 1989 and was President of ACO from 1991 to 2008. He is currently Chairman of the Board of Directors of ACO. He holds the following positions in publicly listed companies: Vice Chairman of AboitizPower; Director of Bloomberry Resorts Corporation and International Container Terminal Services, Inc. (ICTSI); and Vice Chairman of the Board of Directors of UnionBank. He is Chairman of UnionBank's Executive Committee, Risk Management Committee and Vice Chairman of the Corporate Governance Committee, including the latter's Compensation Remuneration and Nomination Sub-Committees. He is Trustee and Vice President of Ramon Aboitiz Foundation, Inc. (RAFI); and Trustee of the Philippine Business for Social Progress (PBSP) and the Association of Foundations; and member of the Board of Advisors of The Coca- Cola Export Corporation (Philippines) and Pilipinas Kao, Inc. Mr. Aboitiz holds a Bachelor of Science degree in Commerce, major in Management from the Santa Clara University, California, U.S.A. He is not connected with any government agency or instrumentality.

ERRAMON I. ABOITIZ
Director
President & Chief Executive Officer
Member – Board Risk and Reputation Management Committee

Mr. Erramon I. Aboitiz, 59 years old, Filipino, has served as President & Chief Executive Officer of AEV since January 5, 2009. He has been a Director of AEV since May 9, 1994 and has been a member of the Board Risk and Reputation Management Committee since May 18, 2015. Mr. Aboitiz was the Executive Vice President and Chief Operating Officer of AEV from 1994 to December 2008. He holds the following positions in publicly listed companies: Director and Chief Executive Officer of AboitizPower; Director of UnionBank and Vice Chairman of RCBM. He is also President and Chief Executive Officer of ACO; Chairman of the Board of Directors of SFELAPCO, SEZ, SN Aboitiz Power-Magat, SN Aboitiz Power–Benguet, MORE, ARI, TPI, AboitizLand, CRH Aboitiz, Abovant, AseaGas, BEZ and Lima Enerzone. He is Director of Davao Light, Cotabato Light, TSI, Pilmico, RP Energy, PETNET, AEV CRH, Archipelago Insurance and AEV International. Mr. Aboitiz is also Chairman of the Board of Trustees of Aboitiz Foundation, and is a Director of the Philippine Disaster Recovery Foundation. He holds a Bachelor of Science degree in Business Administration, major in Accounting and Finance, from Gonzaga University, Spokane, Washington, U.S.A. He is not connected with any government agency or instrumentality.

ROBERTO E. ABOITIZ
Director
Member – Board Audit Committee
– Board Corporate Governance Committee

Mr. Roberto E. Aboitiz, 66 years old, Filipino, has served as Director of AEV since May 9, 1994 and has been a member of AEV's Board Audit Committee since 2006 and Board Corporate Governance Committee since May 17, 2010. He served as Chairman of AEV from 2005 until December 2008. He is Vice Chairman of ACO; Director of THI, Chairman and President of RAFI and West Cebu Foundation, Inc (WCFI). He is Chairman of Sacred Heart School - Ateneo de Cebu and Co-Chairman of the Metro Cebu Development and Coordinating Board. He was Director of CitySavings from 1992 up to March 2013. He graduated from Ateneo de Manila University with a Bachelor of Arts degree in Behavioral Science. Mr. Aboitiz was conferred Doctor of Humanities (Honoris Causa) and Doctor of Science in Business Management (Honoris Causa) by the University of San Jose- Recoletos. He is a recipient of the Perlas Award for Valuable Leader in Youth and Community Development. In 2009, he was conferred the Royal Decoration of the Knighthood in the Order of Nassau by Her Majesty Queen Beatrix of the Netherlands, in recognition of his remarkable achievements and activities for the good of society. He is not connected with any government agency or instrumentality. He is not a director of any other publicly listed company.

ENRIQUE M. ABOITIZ
Director
Chairman – Board Risk and Reputation Management Committee

Mr. Enrique M. Aboitiz, 62 years old, Filipino, has served as Director of AEV since May 9, 1994, and has been a member of the Board Risk and Reputation Management Committee since February 11, 2009. He is also the Chairman of the Board of Directors of AboitizPower, a publicly listed company, and a Director of ACO. Mr. Aboitiz graduated with a degree in Bachelor of Science in Business Administration, major in Economics, from Gonzaga University, Spokane, Washington, U.S.A. He is not connected with any government agency or instrumentality.

JUSTO A. ORTIZ
Director
Member – Board Audit Committee
– Board Risk and Reputation Management Committee

Mr. Justo A. Ortiz, 58 years old, Filipino, has served as Director of AEV since 1994. He has been a member of the Board Audit Committee since 2006 and the Board Risk and Reputation Management Committee since February 11, 2009. He is also Chairman and Chief Executive Officer of UnionBank, a publicly listed company, Director of Bankers Association of the Philippines, Member of Philippine Trade Foundation, Inc. and World Presidents Organization. Prior to his stint in UnionBank, he was Managing Partner for Global Finance and Country Executive for Investment Banking at Citibank N.A. He graduated magna cum laude with a degree in Economics from Ateneo de Manila University. He is not connected with any government agency or instrumentality.

ANTONIO R. MORAZA
Director

Mr. Antonio R. Moraza, 59 years old, Filipino, has been Director of AEV since May 18, 2009. He is currently Director and President and Chief Operating Officer of AboitizPower, a publicly listed company. He is also Chairman of the Board of Directors of Pilmico, PANC, TVI, TMO, TSI, TMI, TLI, LHC, Hedcor, Hedcor Tudaya, Hedcor Sibulan, Hedcor Sabangan, Hedcor Bukidnon, CPPC, APRI, Cotabato Light, Davao Light PEC. Mr. Moraza is Vice Chairman of Cebu Energy; Director and Senior Vice President of ACO; President and Chief Executive Officer of Abovant and ARI; and Director of SN Aboitiz Power-Benguet, SN Aboitiz Power- Magat, SPPC, STEAG Power, WMPC and RP Energy. He is also Director and President of TPI and MORE; and Trustee of AFI. He holds a degree in Business Management from Ateneo de Manila University.

JOSE C. VITUG
Independent Director
Chairman – Board Audit Committee
Member – Board Corporate Governance Committee
– Board Risk and Reputation Management Committee

Justice Jose C. Vitug (ret.), 81 years old, Filipino, has served as an Independent Director of AEV since May 16, 2005. He is a Chairman of the Board Audit Committee of AEV since May 18, 2009, member of the Board Corporate Governance Committee since February 11, 2009 and a member of the Board Risk and Reputation Management Committee since May 18, 2015. Justice Vitug is an Independent Director of ABS-CBN Holdings Corporation, a publicly listed company, and P.A. Alvarez Properties and Development Corporation; Board Member and Law Dean of the Angeles University Foundation, Chairman of the Board of Trustees of Angeles University Foundation Medical Center, Graduate Professor of the College of Law of San Beda College. Justice Vitug was formerly an Associate Justice of the Supreme Court, Chairman of the House of Representatives Electoral Tribunal, and Senior Member of the Senate Electoral Tribunal. He was also the Chairman of the Philippines Stock Exchange, Inc. Justice Vitug is a Professorial Lecturer of the Philippine Judicial Academy and a Consultant of the Committee on Revision of the Rules of the Supreme Court of the Philippines.

STEPHEN T. CuUNJIENG
Independent Director
Member – Board Audit Committee
– Board Corporate Governance Committee
– Board Risk and Reputation Management Committee

Mr. Stephen T. CuUnjieng, 56 years old, Filipino, has served as Independent Director of AEV since May 17, 2010. He is a member of the Board Audit Committee of AEV since May 16, 2011, Board Corporate Governance Committee since May 21, 2012 and Board Risk and Reputation Management Committee since May 17, 2010. He has a long and extensive experience in investment banking with a number of major international investment banks. He has led several high profile transactions in the Philippines and Asia and has won eleven Deals of the Year awards since 2005. He is currently Chairman for Asia of Evercore, an investment bank listed with the New York Stock Exchange. He holds the following positions in publicly listed companies: Adviser to the Board of SM Investments Corporation; and Independent Director of Century Properties Group. Ms. CuUnjieng is on the Executive Board for Asia of the Wharton School of Business of the University of Pennsylvania in Philadelphia, PA, USA. He previously held positions as Vice Chairman, Managing Director and Director with Macquarie, a company listed with the Australian Securities Exchange, Merrill Lynch, a company listed with the New York Stock Exchange, and Salomon Brothers, among others. He graduated from Ateneo de Manila University with a Degree in Bachelor of Arts and also has a Bachelors Degree in Law (with honors) from Ateneo Law School. He has an MBA from the Wharton School of the University of Pennsylvania, U.S.A. He is not connected with any government agency or instrumentality.

RAPHAEL P.M. LOTILLA
Independent Director
Member – Board Audit Committee
– Board Corporate Governance Committee
– Board Risk and Reputation Management Committee

Mr. Raphael P.M. Lotilla, 57 years old, Filipino, has served as Independent Director of AEV since May 21, 2012. He has been a member of the Board Audit Committee and Board Corporate Governance Committee since May 21, 2012, and the Board Risk and Reputation Management Committee since May 18, 2015. He is an Independent Director of Trans Asia Petroleum Corporation, a publicly listed corporation, First Metro Investment, Inc., and Petron Foundation, Inc., and the Chairman of the Board of Trustees of the Center for the Advancement of Trade Integration and Facilitation and Asia-Pacific Pathways to Progress Foundation, Inc. Mr. Lotilla served the Philippine government in various capacities – Secretary of Energy, President and Chief Executive Officer of Power Sector Assets and Liabilities Management Corporation (PSALM), Deputy Director- General of the National Economic and Development Authority, Ex-Officio Chairman of the Philippines National Oil Company, Vice Chairman of the Boards of the National Power Corporation and the National Transmission Corporation, among others. Mr. Lotilla earned his Bachelor of Science in Psychology and Bachelor of Arts in History degrees from the

University of the Philippines and finished his Bachelor of Laws from the same university where he became a Professor of Law. He holds a Master of Laws degree from the University of Michigan Law School, U.S.A. He currently serves as a member of the Board of Trustees of the Philippine Institute for Development Studies.

Nominations for Independent Directors and Procedure for Nomination

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

Nominations for Independent Directors were opened beginning January 1, 2016, in accordance with Section 2 of the Guidelines, and the table for nominations was closed on February 15, 2016, in accordance with Section 3 of the Guidelines.

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

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

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

Ret. Justice Jose C. Vitug, Mr. Stephen T. CuUnjieng and Mr. Raphael P. M. Lotilla are the nominees for Independent Directors of AEV. They are neither officers nor employees of the Company or any of its Affiliates, and do not have any relationship with the Company which would interfere with the exercise of independent judgment in carrying out the responsibilities of an Independent Director.

AEV stockholders, Fe G. Mangubat, Michael Vincent B. Chua and Leah Joy D. Cabanban have nominated Ret. Justice Jose C. Vitug, Mr. Stephen T. CuUnjieng and Mr. Raphael P.M. Lotilla, respectively, as the Company's Independent Directors. None of the nominating stockholders have any relation to Ret. Justice Vitug, to Mr. CuUnjieng and to Mr. Lotilla.

Other Nominees for Election as Members of the Board of Directors

As conveyed to the Corporate Secretary, the following will also be nominated as members of the Board for the ensuing year 2016-2017:

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

Pursuant to Paragraph 4, Section 1, Article II of the Amended By-Laws of AEV, nominations for members of the Board other than Independent Directors for the ensuing year must be submitted in writing to the Corporate Secretary at least 15 working days prior to the regular Annual Stockholders' Meeting on May 16, 2016, or not later than April 22, 2016.

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

Officers for 2015-2016

JON RAMON ABOITIZ
Chairman – Board of Directors
Chairman – Board Corporate Governance Committee
Member – Board Risk and Reputation Management Committee

Mr. Jon Ramon Aboitiz, 67 years old, Filipino, has served as Chairman of the Board of Directors of AEV since January 5, 2009. He was appointed Chairman of the Board Corporate Governance Committee since February 11, 2009 and is a member of the Board Risk and Reputation Management Committee since May 17, 2010. Mr. Aboitiz was President/Chief Executive Officer of AEV since 1994 until his retirement in December 2008. He began his career with the Aboitiz Group in 1970. From a manager of Aboitiz Shipping Corporation, Mr. Aboitiz was promoted to President in 1976. He headed the Aboitiz Group's power business in 1989 and was President of ACO from 1991 to 2008. He is currently Chairman of the Board of Directors of ACO. He holds the following positions in publicly listed companies: Vice Chairman of AboitizPower; Director of Bloomberry Resorts Corporation and International Container Terminal Services, Inc. (ICTSI); and Vice Chairman of the Board of Directors of UnionBank. He is Chairman of UnionBank's Executive Committee, Risk Management Committee and Vice Chairman of the Corporate Governance Committee, including the latter's Compensation Remuneration and Nomination Sub-Committees. He is Trustee and Vice President of Ramon Aboitiz Foundation, Inc. (RAFI); and Trustee of the Philippine Business for Social Progress (PBSP) and the Association of Foundations; and member of the Board of Advisors of The Coca- Cola Export Corporation (Philippines) and Pilipinas Kao, Inc. Mr. Aboitiz holds a Bachelor of Science degree in Commerce, major in Management from the Santa Clara University, California, U.S.A. He is not connected with any government agency or instrumentality.

ERRAMON I. ABOITIZ
Director
President & Chief Executive Officer
Member – Board Risk and Reputation Management Committee

Mr. Erramon I. Aboitiz, 59 years old, Filipino, has served as President & Chief Executive Officer of AEV since January 5, 2009. He has been a Director of AEV since May 9, 1994 and has been a member of the Board Risk and Reputation Management Committee since May 18, 2015. Mr. Aboitiz was the Executive Vice President and Chief Operating Officer of AEV from 1994 to December 2008. He holds the following positions in publicly listed companies: Director and Chief Executive Officer of AboitizPower; Director of UnionBank and Vice Chairman of RCBM. He is also President and Chief Executive Officer of ACO; Chairman of the Board of Directors of SFELAPCO, SEZ, SN Aboitiz Power–Magat, SN Aboitiz Power–Benguet, MORE, ARI, TPI, AboitizLand, CRH Aboitiz, Abovant, AseaGas, BEZ and Lima Enerzone. He is Director of Davao Light, Cotabato Light, TSI, Pilmico, RP Energy, PETNET, AEV CRH, Archipelago Insurance and AEV International. Mr. Aboitiz is also Chairman of the Board of Trustees of Aboitiz Foundation, and is a Director of the Philippine Disaster Recovery Foundation. He holds a Bachelor of Science degree in Business Administration, major in Accounting and Finance, from Gonzaga University, Spokane, Washington, U.S.A. He is not connected with any government agency or instrumentality.

SABIN M. ABOITIZ
Executive Vice President – Chief Operating Officer

Mr. Sabin M. Aboitiz, 51 years old, Filipino, was appointed Executive Vice President – Chief Operating Office on December 18, 2015. He was First Vice President of AEV from May 2014 to May 2015 and Senior Vice President from May to December 2015. He is a Board Adviser of ACO and a Trustee of Aboitiz Foundation. He is the Chairman of Weather Philippines Foundation, Inc. (WeatherPhilippines) and Filagri, Inc. (Filagri). He is likewise

Chairman and President of AEV Av; and Director and President/Chief Executive Officer of PANC and Pilmico. Mr. Aboitiz is also Director of the following publicly listed companies: UnionBank and RCBM. He is also Director of AESI, AdventEnergy, MORE, APRI, Apo Agua, CRH Aboitiz, and PETNET; Director and President of AseaGas and AEV CRH; and Vice Chairman of AboitizLand. He holds a degree in Business Administration – Finance from Gonzaga University, Spokane, U.S.A. He is not connected with any government agency or instrumentality.

MANUEL R. LOZANO
Senior Vice President/Chief Financial Officer/Corporate Information Officer
Ex-Officio Member – Board Risk and Reputation Management Committee

Mr. Manuel R. Lozano, 45 years old, Filipino, was appointed Senior Vice President/Chief Financial Officer/Chief Information Officer of AEV on May 18, 2015. He is also an Ex-Officio Member of the Board Risk and Reputation Management Committee since May 18, 2015. Mr. Lozano was First Vice President/Chief Financial Officer/Corporate Information Officer of AboitizPower from 2014 to 2015. He was the Chief Financial Officer of the Power Generation Group of AboitizPower from 2009 up to 2013. He is also Director of RCBM, a publicly listed company. Mr. Lozano is currently Trustee and Treasurer of Aboitiz Foundation and Director AEV CRH, Archipelago Insurance and AEV International. Before he joined the Aboitiz Group, he was the Chief Financial Officer and Director of Paxys, Inc., a PSE-listed company focused on the BPO industry and other IT-related sectors within the Asia Pacific region. He has a wide range of experience working in several financial institutions. He earned his Bachelor of Science in Business Administration degree from the University of the Philippines - Diliman and his Masters in Business Administration from The Wharton School of the University of Pennsylvania, U.S.A. He is not connected with any government agency or instrumentality.

JUAN ANTONIO E. BERNAD
Senior Vice President

Mr. Juan Antonio E. Bernad, 59 years old, Filipino, has been Senior Vice President of AEV since April, 6, 1995. He was AEV's Senior Vice President - Electricity Regulatory Affairs from 2004 to 2007 and Senior Vice President - Chief Financial Officer from 1995 to 2004. He is Executive Vice President for Strategy and Regulation of AboitizPower, a publicly listed company, since 2009, and has served AboitizPower in several capacities, as Director from 1998 to May 18 2009, as Executive Vice President/Chief Financial Officer/Treasurer from 1998 to 2003, and as Executive Vice President for Regulatory Affairs/Chief Financial Officer from 2004 to 2007. Mr. Bernad is also Executive Vice President - Regulatory Affairs of Davao Light; Director and Senior Vice President of VECO; and Director of Cotabato Light, AEV Av, SFELAPCO and UnionBank, a publicly listed company. He has an Economics degree from Ateneo de Manila University and a Masters degree in Business Administration from The Wharton School of the University of Pennsylvania, U.S.A. He is not connected with any government agency or instrumentality.

XAVIER JOSE ABOITIZ
Senior Vice President – Chief Human Resources Officer
Ex-Officio Member – Board Corporate Governance Committee

Mr. Xavier Jose Aboitiz, 56 years old, Filipino, has been Senior Vice President – Chief Human Resources Officer of AEV since May 17, 2004. He is an Ex-Officio member of the Board Corporate Governance Committee since May 17, 2010. Mr. Aboitiz is also Senior Vice President and a member of the Board of Advisers of ACO; Director of Pilmico, Davao Light, Cotabato Light, Propriedad Del Norte, Inc. (PDNI) and SEZ; Director/President and Chief Executive Officer of Cebu Praedia Development Corporation (CPDC), and Trustee of Aboitiz Foundation. He was a Director of CitySavings from 2010 up to March 2013. Mr. Aboitiz has worked in various capacities in different companies of the Aboitiz Group since 1983. He took up Business Administration – Finance at Gonzaga University, Spokane, U.S.A. He is not connected with any government agency or instrumentality. He is not a director of any publicly listed company.

GABRIEL T. MAÑALAC
Senior Vice President – Group Treasurer

Mr. Gabriel T. Mañalac, 59 years old, Filipino, has been Senior Vice President – Group Treasurer of AEV since January 5, 2009. He joined AEV as Vice President for Treasury Services in 1998 and was promoted to First Vice President for Treasury Services in 2004. He is Senior Vice President – Group Treasurer of AboitizPower, a publicly listed company, since May 17, 2010. He is also Vice President and Treasurer of Davao Light, and Treasurer of Cotabato Light. Mr. Mañalac graduated cum laude with a Bachelor of Science degree in Finance and a Bachelor of Arts in Economics degree from De La Salle University. He obtained his Masters of Business Administration in Banking and Finance degree from the Asian Institute of Management and was awarded the Institute's Scholarship for Merit. He is not connected with any government agency or instrumentality. He is not a director of any publicly listed company.

SUSAN V. VALDEZ
Chief Corporate Services Officer
Ex-Officio Member – Board Risk and Reputation Management Committee

Ms. Susan V. Valdez, 55 years old, Filipino, was appointed Chief Corporate Services Officer of AEV on December 18, 2015. She was AEV's Senior Vice President - Chief Reputation and Risk Management Officer from 2013 to 2015. She is an Ex-Officio member of the Board Risk and Reputation Management Committee since May 21, 2012. Ms. Valdez was First Vice President - Chief Reputation Officer of AEV in September 2011. She is the Chief Reputation and Risk Management Officer of AboitizPower, a publicly listed company, since December 14, 2012, and was appointed as Senior Vice President on May 18, 2015. Ms. Valdez is also Trustee, President and Member of the Executive Committee of Aboitiz Foundation; Trustee and President of WeatherPhilippines; and Director of Archipelago Insurance. Before joining AEV, she was the Executive Vice President and Chief Executive Officer of the 2GO Freight Division of Aboitiz Transport System (ATSC) Corporation (now 2GO Group, Inc.) for eight years. She was also President and Chief Executive Officer of Aboitiz One, Inc. (now ATS Express, Inc.) and Aboitiz One Distribution, Inc. (now ATS Distribution, Inc.) for two years. Prior to heading the freight and supply chain business of ATSC, she was its Chief Finance Officer and Chief Information Officer for eight years. She is a Certified Public Accountant, and graduated Cum Laude from St. Theresa's College with a degree of Bachelor of Science in Commerce, major in Accounting. She earned her Masters degree in Business Management from the University of the Philippines, and completed a program on Management Development at Harvard Business School. She is not connected with any government agency or instrumentality. She is not a director of any publicly listed company.

M. JASMINE S. OPORTO
Senior Vice President – Chief Legal Officer/Corporate Secretary/Compliance Officer
Ex-Officio Member – Board Corporate Governance Committee

Ms. M. Jasmine S. Oporto, 56 years old, Filipino, is Senior Vice President of AEV's Legal and Corporate Services. She has acted as the Corporate Secretary of AEV since May 17, 2004 and of AboitizPower, a publicly listed company, since January 16, 2007. She is concurrently the Compliance Officer of AEV and AboitizPower since her appointment in November 2005 and January 2007, respectively. She is also an Ex-Officio member of the Board Corporate Governance Committee since February 11, 2009. Ms. Oporto is also Vice President for Legal Affairs of Davao Light; Corporate Secretary of Hijos de F. Escaño, Inc. (Hijos) and Assistant Corporate Secretary of VECO. Prior to joining AEV, she worked in various capacities at the Hong Kong office of Kelley Drye & Warren, LLP, a New York-based law firm, and the Singapore-based consulting firm Albi Consulting Pte. Ltd. She obtained her Bachelor of Laws degree from the University of the Philippines and is a member of both the Philippine and New York State bars. She is a fellow of the Institute of Corporate Directors (ICD), after completing the Professional Director's Program conducted by ICD. She has completed the mandatory accreditation course of the Bangko Sentral ng Pilipinas on Corporate Governance and Risk Management for Board of Trustees/Directors. Ms. Oporto is an accredited provider of Harrison Assessment Talent Solutions. In addition, she has attended various seminars on corporate governance and compliance, including Compliance and Regulatory Management, Scenario Planning for Strategy, Management of Legal Risk and Services, and the Corporate Secretary Training of Trainers Program conducted by the International Finance Corporation and the ICD. She was awarded Corporate Secretary of the Year in 2014 and 2015 by Corporate Governance Asia, Hong Kong. She is not connected with any government agency or instrumentality. She is not a director of any publicly listed company.

ROBERT McGREGOR
Senior Vice President – Chief Strategy and Investment Officer

Mr. Robert McGregor, 56 years old, British, is Senior Vice President – Chief Strategy and Investment Officer (CSIO) of AEV since November 27, 2014. He is concurrently Executive Director – Investments of AboitizPower, a publicly listed company, since September 24, 2015 and Director of PETNET. He joined AEV as Senior Vice President – Chief Strategy Officer in May 2014 before his appointment as CSIO in November 2014. Mr. McGregor brings with him a wealth of experience in management, investment banking and private equity investing with almost 36 years of experience in energy markets. He has extensive experience in corporate strategy, marketing and business planning in oil, gas and electricity industries in the United Kingdom. He moved to Hong Kong in 1997 and enjoyed an 11-year career in regional investment banking, before moving to Singapore to take up partnership in Actis, an emerging-market private equity company. In 2012, he returned to Hong Kong with Hongkong and Shanghai Banking Corporation Limited as an investment banker. Mr. McGregor completed his honours degree in Applied Chemistry from The University of Strathclyde, United Kingdom and obtained his Masters Degree in Business Administration from the same university. He is not connected with any government agency or instrumentality. He is not a director of any publicly listed company.

LUIS MIGUEL O. ABOITIZ
Senior Vice President

Mr. Luis Miguel O. Aboitiz, 51 years old, Filipino, was appointed Senior Vice President of AEV on May 18, 2015. He was First Vice President of AEV from 2004 to May 2015. He joined AEV in 1995 as Vice President. Since January 2016, he has been the Executive Vice President/Chief Operating Officer - Corporate Business Group of AboitizPower, a publicly listed company, He previously served as AboitizPower's Senior Vice President – Power Marketing and Trading from 2009 to 2015. Mr. Aboitiz is currently Director and First Vice President of ACO; Trustee of Aboitiz Foundation; Director and President/ Chief Executive Officer of AESI and AdventEnergy; Director of STEAG Power, ARI, TPI, Pilmico, PANC, MORE, TMO, TSI, TLI, TVI, APRI, PEC, CPDC, MORE and AseaGas. He is also a Director of UnionBank, a publicly listed company. He graduated from Santa Clara University, California, U.S.A. with a Bachelor of Science degree in Computer Science and Engineering and took his Masters degree in Business Administration at the University of California in Berkeley, U.S.A. He is not connected with any government agency or instrumentality.

HORACIO C. ELICANO
First Vice President – Chief Technology Officer

Mr. Horacio C. Elicano, 56 years old, Filipino, has been First Vice President - Chief Technology Officer of AEV since January 5, 2009. Before he joined AEV, he was Managing Director of Catapult Communications. He was also Chief Technology Officer of Paysetter International, Inc. from 2001 to 2007 and of Chikka Asia, Inc. from 2001 to 2005. Prior to that, he logged 20 years in the banking industry with Citibank and UnionBank. He is a Bachelor of Science in Electrical Engineering graduate of the University of the Philippines. He is not connected with any government agency or instrumentality. He is not a director of any publicly listed company.

ROMÁN V. AZANZA III
First Vice President – Business Development

Mr. Román V. Azanza III, 47 years old, Filipino, has been First Vice President - Business Development of AEV since October 3, 2011. He is a Director of RCBM, a publicly listed company. He is also Director and Treasurer of AEV CRH and CRH Aboitiz; and Director of Apo Agua. Mr. Azanza currently leads AEV's thrust into both the Public Private Partnership and privately initiated infrastructure spaces. Before he joined AEV, he was the Regional Treasurer for Asia of CEMEX Asia Pte. Ltd. and served as Director for Strategic Planning at CEMEX Malaysia. He was previously with ING Barings where he was involved in both project finance and debt execution, and at Citibank, N.A. as a member of the North Asian Regional Audit team. He has extensive experience in banking, strategic planning and corporate treasury. He holds an A.B. in Economics degree from Colby College, and earned his MBA at the Darden School of Business, University of Virginia, U.S.A. He also completed the CEMEX

International Management Program in 2003. He is not connected with any government agency or instrumentality.

MELINDA R. BATHAN
First Vice President – Controller

Ms. Melinda R. Bathan, 56 years old, Filipino, has been First Vice President - Controller of AEV since May 21, 2012. She was previously AEV's Vice President - Controller from 2004 until 2012. She is Director and Treasurer of CPDC. Ms. Bathan graduated summa cum laude from St. Theresa's College with a Bachelor of Science degree in Commerce, major in Accounting, and is a Certified Public Accountant. She completed her Masters in Management, with honors, at the University of the Philippines. She is not connected with any government agency or instrumentality. She is not a director of any publicly listed company.

NARCISA S. LIM
First Vice President – Human Resources and Quality

Ms. Narcisa S. Lim, 52 years old, Filipino, has been First Vice President - Human Resources and Quality of AEV since May 21, 2012. She was Vice President for Human Resources and Quality of AEV from 2008 to 2012. She holds a degree in International Studies from Maryknoll College. She is not connected with any government agency or instrumentality. She is not a director of any publicly listed company.

CATHERINE R. ATAY
Assistant Vice President – Corporate Secretarial and Compliance Services for Legal and Corporate Services/ Assistant Corporate Secretary

Ms. Catherine R. Atay, 37 years old, Filipino, has been Assistant Vice President – Corporate Secretarial and Compliance Services for Legal and Corporate Services of AEV since May 21, 2012. She is concurrently the Assistant Corporate Secretary of AEV. She is also Corporate Secretary of AEV CRH, ARI, Abovant, CPPC, Cotabato Light, Davao Light, Lima Land, Lima Water, MORE, PETNET, Pilmico, PANC, SN Aboitiz Power – Benguet, SN Aboitiz Power – Magat, TPI, Tsuneishi Foundation (Cebu), Inc., THI, CPPC, LHC, WCFI, ACGI, CRH Aboitiz, BEZ, MEZ, EAUC, FBMA Marine, Inc., Hedcor, Hedcor Bukidnon, Hedcor Sabangan, Hedcor Sibulan, Hedcor Tudaya, Hedcor Tamugan, PDNI, SEZ, TMI, TMO, TLI, and HEDC. She earned her Bachelor of Science in Accountancy degree (cum laude) and Bachelor of Laws degree from the University of San Carlos. Ms. Atay is a member of the Integrated Bar of the Philippines and is a Certified Public Accountant. She took the Professional Directors course of the Institute of Corporate Directors. She is not connected with any government agency or instrumentality. She is not a director of any publicly listed company.

Period in which the Directors and Executive Officers Should Serve

The directors and executive officers should serve for a period of one year.

Term of Office of a Director

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

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

(2) Significant Employees

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

(3) Family Relationships

Messrs. Jon Ramon and Roberto Aboitiz are brothers and are thus related to each other within the fourth civil degree of consanguinity. Messrs. Erramon, Enrique, Sabin and Xavier Jose Aboitiz are brothers and are thus related to each other within the fourth civil degree of consanguinity. There are no other relationships within the fourth degree of consanguinity known to the Company.

(4) Involvement in Certain Legal Proceedings as of March 31, 2016

To the knowledge and/or information of AEV, none of its nominees for election as directors, its current members of the Board or its executive officers is presently involved in any legal proceeding or bankruptcy petition or has been convicted by final judgment, or being subject to any order, judgment or decree, or has violated the securities or commodities law in any court or government agency in the Philippines or elsewhere for the past five years until March 31, 2016, which would put to question his/her ability and integrity to serve AEV and its stockholders.

(5) Parent Company

The parent and the ultimate parent of the company is ACO. As of March 31, 2016, ACO owns 49.25% of the voting shares of AEV.

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

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

Item 10. Executive Compensation

(1) Summary of Compensation Table

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

Name of Principal	Year	Salary	Bonus	Other Compensation
CHIEF EXECUTIVE OFFICER AND FOUR MOST HIGHLY COMPENSATED OFFICERS **1. ERRAMON I. ABOITIZ** - President & Chief Executive Officer **2. STEPHEN G. PARADIES** - Senior Vice President/Chief Financial Officer/Corporate Information Officer* **3. XAVIER JOSE ABOITIZ** - Senior Vice President - Chief Human Resources Officer **4. ROBERT MCGREGOR** - Senior Vice President - Chief Strategy Officer** **5. LUIS MIGUEL O. ABOITIZ** - Senior Vice President **6. SUSAN V. VALDEZ** - Chief Corporate Services Officer				
All above named officers as a group	**Actual 2015**	**₱114,086,880.00**	**₱11,699,480.00**	**₱11,272,519.00**
	Actual 2014	₱91,792,880.00	₱9,315,480.00	₱7,731,019.00
	Projected 2016	₱125,495,568.00	₱12,869,428.00	₱12,399,771.00
All other directors and officers as a group unnamed	**Actual 2015**	**₱74,917,498.00**	**₱8,069,546.00**	**₱31,576,704.00**
	Actual 2014	₱56,124,610.00	₱7,774,180.00	₱28,623,295.00
	Projected 2016	₱82,409,248.00	₱8,876,501.00	₱34,734,375.00

**retired in May 2015*

*** qualified as one of the five most highly compensated officers in 2015*

The 2014 Amended By-Laws of the Company as approved by the SEC on May 16, 2014 defined corporate officers as follows: the Chairman of the Board, the Vice Chairman, the Chief Executive Officer, Chief Operating Officer(s), the Treasurer, the Corporate Secretary, the Assistant Corporate Secretary, and such other officers as may be appointed by the Board of Directors. For the year 2015, the Company's Summary of Executive Compensation covers the compensation of officers as reported under Item 5 (a)(1) of this Information Statement.

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

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

(2) Compensation of Directors

(i) Standard Arrangements

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

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

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

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

(ii) Other Arrangements

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

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

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

(4) Warrants and Options Outstanding

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

Item 11. Security Ownership of Certain Beneficial Owners and Management

(1) Security Ownership of Certain Record and Beneficial Owners (more than 5%) as of March 31, 2016

Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held and Nature of Ownership (Record and/or Beneficial)	Percentage of Class Owned
Common	1. **Aboitiz & Company, Inc. (ACO)**[6] Aboitiz Corporate Center Gov. Manuel A. Cuenco Avenue Kasambagan, Cebu City (Stockholder)	ACO[7]	Filipino	2,735,600,915 (Record and Beneficial)	49.25%
Common	2. **PCD Nominee Corporation**[8] **(Filipino)** G/F MSE Bldg., Ayala Avenue Makati City (Stockholder)	PCD participants acting for themselves or for their customers.[9]	Filipino	619,748,135 (Record)	11.16%
Common	3. **PCD Nominee Corporation**[10] **(Foreign)** G/F MSE Bldg., Ayala Avenue Makati City (Stockholder)	PCD participants acting for themselves or for their customers.[11]	Non-Filipino	558,030,135 (Record)	10.05%
Common	4. **Ramon Aboitiz Foundation, Inc. (RAFI)**[12] 35 Lopez Jaena St., Cebu City (Stockholder)	RAFI	Filipino	424,538,863 (Record and Beneficial)	7.64%

(2) Security Ownership of Management as of March 31, 2016 (Record and Beneficial)

Name of Beneficial Owner and Position	Title of Class	No. of Shares and Nature of Ownership (Direct or Indirect)		Citizenship	Percentage of Ownership
Jon Ramon Aboitiz Director/Chairman of the Board	Common	4,648	Direct	Filipino	0.00%
		129,200,932	Indirect		2.33%
Erramon I. Aboitiz Director/President & Chief Executive Officer	Common	1,001,000	Direct	Filipino	0.02%
		58,477,269	Indirect		1.05%
Enrique M. Aboitiz Director	Common	6,000	Direct	Filipino	0.00%
		0	Indirect		0.00%
Roberto E. Aboitiz Director	Common	10	Direct	Filipino	0.00%
		0	Indirect		0.00%
Justo A. Ortiz Director	Common	1	Direct	Filipino	0.00%
		0	Indirect		0.00%
Antonio R. Moraza Director	Common	1,000	Direct	Filipino	0.00%
		15,351,132	Indirect		0.28%

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

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

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

[9] AEV has no record relating to the power to decide how the shares held by PCD Nominee Corporation (Foreign and Filipino) to be voted. Of the 627,519,566 shares held by PCD Nominee Corporation (Filipino), at least 345,287,457 share or 6.22% of the voting stock of AEV are for the account of Papa Securities Corporation (PapaSec). AEV is not r elated to PapaSec.

[10] *Supra Note 3.*

[11] *Supra Note 4.*

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

Name of Beneficial Owner and Position	Title of Class	No. of Shares and Nature of Ownership (Direct or Indirect)		Citizenship	Percentage of Ownership
Jose C. Vitug Independent Director	Common	100	Direct	Filipino	0.00%
		72,020	Indirect		0.00%
Raphael P. M. Lotilla Independent Director	Common	100	Direct	Filipino	0.00%
		0	Indirect		0.00%
Stephen T. CuUnjieng Independent Director	Common	100	Direct	Filipino	0.00%
		0	Indirect		0.00%
Sabin M. Aboitiz Executive Vice President – Chief Operating Officer	Common	14,377,050	Direct		0.26%
		4,117,506	Indirect	Filipino	0.07%
Manuel R. Lozano Senior Vice President/Chief Financial Officer/ Corporate Information Officer	Common	62,781	Direct	Filipino	0.00%
		82,691	Indirect		0.00%
Juan Antonio E. Bernad Senior Vice President	Common	730,351	Direct	Filipino	0.01%
		378,286	Indirect		0.01%
Xavier Jose Aboitiz Senior Vice President - Chief Human Resources Officer	Common	1,998,236	Direct	Filipino	0.04%
		19,636,045	Indirect		0.35%
Gabriel T. Mañalac Senior Vice President - Group Treasurer	Common	86,045	Direct	Filipino	0.00%
		0	Indirect		0.00%
Susan V. Valdez Chief Corporate Services Officer	Common	619,261	Direct	Filipino	0.01%
		0	Indirect		0.00%
M. Jasmine S. Oporto Senior Vice President - Chief Legal Officer/ Corporate Secretary/Compliance Officer	Common	110,384	Direct	Filipino	0.00%
		0	Indirect		0.00%
Robert McGregor Senior Vice President - Chief Strategy and Investment Officer	Common	95,293	Direct	British	0.00%
		0	Indirect		0.00%
Luis Miguel O. Aboitiz Senior Vice President	Common	23,878,880	Direct	Filipino	0.43%
		0	Indirect		0.00%
Horacio C. Elicano First Vice President - Chief Technology Officer	Common	224,377	Direct	Filipino	0.00%
		0	Indirect		0.00%
Román V. Azanza III First Vice President - Business Development	Common	236,232	Direct	Filipino	0.00%
		0	Indirect		0.00%
Melinda R. Bathan First Vice President - Controller	Common	86,258	Direct	Filipino	0.00%
		0	Indirect		0.00%
Narcisa S. Lim First Vice President - Human Resources and Quality	Common	43,507	Direct	Filipino	0.00%
		0	Indirect		0.00%
Catherine R. Atay Assistant Vice President - Corporate Secretarial and Compliance Services for Legal and Corporate Services/Assistant Corporate Secretary	Common	0	Direct	Filipino	0.00%
		0	Indirect		0.00%

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

No person holds under a voting trust or similar agreement more than 5% of AEV's common equity.

(4) Changes in Control

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

Item 12. Certain Relationships and Related Transactions

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

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

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

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

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

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

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

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

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

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

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

The Company's Annual Corporate Governance Report is attached as Annex "B" of this SEC Form 17-A (Annual Report) pursuant to SEC Memorandum Circular No. 5, series of 2013, issued last March 20, 2013. The Company's full Corporate Governance Report is also available at the Company's website at www.aboitiz.com.

PART V – EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

(a) Exhibits.

None

(b) Reports on SEC Form 17-C

Reports filed by the AEV on SEC Form 17-C from April 2015 – March 2016 are as follows:

Date	Disclosure Details
April 8, 2015	2013 Retail Bonds maintains its "PRS Aaa" ratings from the Philippine Ratings Services Corporation
May 8, 2015	First Quarter 2015 Financial and Operating Results
May 12, 2015	Filing of Preliminary Registration Statement
May 18, 2015	Appointment of New Stock and Transfer Agent
May 18, 2015	Results of 2015 Annual Stockholders' Meeting
May 18, 2015	Results of 2015 Organizational Meeting
May 22, 2015	Proposed Php25 billion fixed rate retail bonds received a "PRS Aaa" ratings from Philippine Ratings Services Corporation
June 1, 2015	Acquisition of 51% of PETNET, Inc.
June 30, 2015	Sale of Treasury Shares
July 22, 2015	Signing of Investment Agreements with CRH plc
July 27, 2015	Securities and Exchange Commission Issuance of Order of Registration and Certificate of Permit to Offer Securities for Sale for Php25B Fixed Retail Bonds
July 29, 2015	Appointment of Independent Accountant
July 30, 2015	Second Quarter 2015 Financial and Operating Results
July 31, 2015	Completion of Offer for Php25B Fixed-Rate Retail Bonds
August 5, 2015	PDEx Approval of AEV Php25B Fixed-Rate Retail Bonds Listing
August 6, 2015	AEV CRH Holdings, Inc. Submission of Tender Offer with Securities and Exchange Commission
August 6, 2015	AEV CRH Holdings, Inc. Filing of Amended Tender Offer with Securities and Exchange Commission
August 17, 2015	Filing of Pre-qualification Documents with DOTC for operation, maintenance and expansion of 5 regional airports
August 20, 2015	Signing of Facility Agreement with The Bank of Tokyo – Mitsubishi UFJ, Ltd.
August 27, 2015	Signing of Amended Investment Agreements with CRH plc
September 10, 2015	Result of AEV CRH Holdings, Inc. Tender Offer of Lafarge Republic, Inc. shares
September 15, 2015	Closing of Acquisition of the Philippine Business of Lafarge S.A.
October 28, 2015	Third Quarter 2015 Financial and Operating Results
December 18, 2015	Promotion of Officers
December 18, 2015	Purchase of Shares of UnionBank
February 5, 2016	Press Release AEV allot Php58.4 bn capex in 2016
March 1, 2016	Nominees to the Board of Directors for 2016-2017
March 8, 2016	Declaration of Cash Dividends
March 8, 2016	Matters Approved by the Board
March 9, 2016	Full Year 2014 Financial and Operating Results

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, AEV has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Taguig on APR 1 1 2016.

By:

ERRAMON I. ABOITIZ
Principal Executive Officer

M. JASMINE S. OPORTO
Corporate Secretary

MANUEL R. LOZANO
Principal Financial Officer

Before me, a notary public in and for the city named above, personally appeared:

NAME	PASSPORT / DRIVER'S LICENSE NO.	DATE / PLACE OF ISSUE	CTC NO.	DATE/PLACE OF ISSUE
ERRAMON I. ABOITIZ	EB7151577	January 14, 2013/ DFA Cebu	02252882	01.26.2016/ Cebu City
M. JASMINE S. OPORTO	EB7264010	February 1, 2013/ DFA Manila	6442774	02.16.2016/ Taguig City
MANUEL R. LOZANO	EC1926563	08.18.2014/ DFA NCR South	05092418	01.15.2016/ Taguig

who were identified by me through competent evidence of identity to be the same persons who presented the foregoing instrument and signed the instrument in my presence, and who took an oath/affirmation before me as to such instrument.

Witness my hand and seal this APR 1 1 2016.

Doc. No.: 339;
Page No. 69;
Book No. IV;
Series of 2016.

ATTY. JOYCE GRACE B. CASAS
ROLL NO. 61486
NOTARY PUBLIC
PASIG TAGUIG PANGHULAN PATEROS MUNTINLUPA

Joyce Grace B. Casas
Notary Public for Taguig City
Notarial Commission No. 271
Until December 31, 2016
NAC Tower, 32nd Street, Bonifacio Global City, Taguig City
PTR No. A-2626644; Taguig City; January 04, 2016
IBP No. 1017212; January 04, 2016; Taguig City
Roll No. 61486
MCLE No. V-0014277

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, AEV has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of TAGUIG CITY on APR 11 2016.

By:

SABIN M. ABOITIZ
Principal Operating Officer

Before me, a notary public in and for the city named above, personally appeared:

NAME	PASSPORT / DRIVER'S LICENSE NO.	DATE / PLACE OF ISSUE	CTC NO.	DATE/PLACE OF ISSUE
SABIN M. ABOITIZ	EB8944709	08.17.201/ Manila	02226298	01.25.2016/ Cebu City

who were identified by me through competent evidence of identity to be the same persons who presented the foregoing instrument and signed the instrument in my presence, and who took an oath/affirmation before me as to such instrument.

Witness my hand and seal this APR 11 2016.

Doc. No.: 340;
Page No. 69;
Book No. IV;
Series of 2016.

ATTY. JOYCE GRACE B. CASAS
ROLL NO. 61486
NOTARY PUBLIC
PASIG TAGUIG CARMONA

Joyce Grace B. Casas
Notary Public for Taguig City
Notarial Commission No. 271
Until December 31, 2016
NAC Tower, 32nd Street, Bonifacio Global City, Taguig City
PTR No. A-2626644; Taguig City; January 04, 2016
IBP No. 1017212; January 04, 2016; Taguig City
Roll No. 61486
MCLE No. V-0014277

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, AEV has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of TAGUIG CITY on APR 0 8 2016.

By:

MELINDA R. BATHAN
Controller/Principal Accounting Officer

Before me, a notary public in and for the city named above, personally appeared:

NAME	PASSPORT / DRIVER'S LICENSE NO.	DATE / PLACE OF ISSUE	CTC NO.	DATE/PLACE OF ISSUE
MELINDA R. BATHAN	EC2920639	December 5, 2014/ DFA Manila		

who were identified by me through competent evidence of identity to be the same persons who presented the foregoing instrument and signed the instrument in my presence, and who took an oath/affirmation before me as to such instrument.

Witness my hand and seal this APR 0 8 2016.

Doc. No.: 319;
Page No. 65;
Book No. IV;
Series of 2016.

ATTY. JOYCE GRACE B. CASAS
ROLL NO. 61486
NOTARY PUBLIC

Joyce Grace B. Casas
Notary Public for Taguig City
Notarial Commission No. 271
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MCLE No. V-0014277

ANNEX "A"

AS OF MARCH 28, 2016

ABOITIZ EQUITY VENTURES, INC.

POWER

- ABOITIZ POWER CORP. 76.88% (D)
  - **DISTRIBUTION**
    - DAVAO LIGHT & POWER COMPANY, INC. 99.93% (D)
    - COTABATO LIGHT & POWER COMPANY 99.94% (D)
    - VISAYAN ELECTRIC COMPANY, INC. 55.25% (D)
    - SAN FERNANDO ELECTRIC LIGHT & POWER CO., INC. 20.29% (D) 43.78% (B)
    - SUBIC ENERZONE CORPORATION 65.00% (D) 99.98% (B)
    - MACTAN ENERZONE CORPORATION 100.00% (D)
    - BALAMBAN ENERZONE CORPORATION 100.00% (D)
    - LIMA ENERZONE CORPORATION 100.00% (D)
  - **GENERATION**
    - THERMA POWER, INC. 100.00% (D)
      - THERMA LUZON, INC. 100.00% (B)
      - THERMA MARINE, INC. 100.00% (B)
      - THERMA MOBILE, INC. 100.00% (B)
      - THERMA SOUTH, INC. 100.00% (B)
      - THERMA POWER VISAYAS, INC. 100.00% (B)
      - THERMA SUBIC, INC. 100.00% (B)
      - THERMA SOUTHERN MINDANAO, INC. 100.00% (B)
      - THERMA CENTRAL VISAYAS, INC. 100.00% (B)
      - THERMA VISAYAS, INC. 80.00% (B)
      - ABOVANT HOLDINGS, INC. 60.00% (B)
        - CEBU ENERGY DEVT. CORP. 44.00% (D)
      - PAGBILAO ENERGY, INC. 50.00% (B)
      - REDONDO PENINSULA ENERGY, INC. 25.00% (B)
    - CEBU PRIVATE POWER CORP. 60.00% (D)
    - EAST ASIA UTILITIES CORP. 50.00% (D)
    - STEAG STATE POWER INC. 34.00% (D)
    - SOUTHERN PHILIPPINES POWER CORP. 20.00% (D)
    - WESTERN MINDANAO POWER CORP. 20.00% (D)
    - ABOITIZ RENEWABLES, INC. 100.00% (D)
      - HEDCOR, INC. 100.00% (B)
      - AP RENEWABLES, INC. 100.00% (B)
      - LUZON HYDRO CORP. 100.00% (B)
      - HEDCOR SIBULAN, INC. 100.00% (B)
      - HEDCOR TAMUGAN, INC. 100.00% (B)
      - HEDCOR SABANGAN, INC. 100.00% (B)
      - HEDCOR TUDAYA, INC. 100.00% (B)
      - CLEANERGY, INC. 100.00% (B)
      - HEDCOR MT. PROVINCE, INC. 100.00% (B)
      - HEDCOR BUKIDNON, INC. 100.00% (B)
      - CORDILLERA HYDRO CORP. 100.00% (B)
      - HYDRO ELECTRIC DEVT. CORP. 100.00% (B)
      - HEDCOR BENGUET, INC. 100.00% (B)
      - HEDCOR ITOGON, INC. 100.00% (B)
      - TAGOLOAN HYDRO CORP. 100.00% (B)
      - MANILA-OSLO RENEWABLE ENTERPRISE, INC. 83.33% (B)
        - SN ABOITIZ POWER – MAGAT, INC. 60.00% (D)
        - SN ABOITIZ POWER – BENGUET, INC. 60.00% (D)
        - SN ABOITIZ POWER – GENERATION, INC. 60.00% (D)
        - SN ABOITIZ POWER – RES, INC. 60.00% (D)
  - **RES/OTHERS**
    - ABOITIZ ENERGY SOLUTIONS, INC. 100.00% (D)
    - ADVENTENERGY, INC. 100.00% (D)
    - PRISM ENERGY, INC. 60.00% (D)
    - ABOITIZPOWER INTERNATIONAL PTE. LTD. 100.00% (D)

BANKING

- UNION BANK OF THE PHILS. 47.97% (D)
- PETNET, INC. 51.00% (D)

FOOD

- PILMICO FOODS CORP. 100.00% (D)
  - FILAGRI HOLDINGS, INC. 100.00% (D)
    - PILMICO ANIMAL NUTRITION CORP. 100.00% (D)
    - FILAGRI, INC. 100.00% (B)
  - AEV INTERNATIONAL PTE. LTD. 100.00% (D)
    - PILMICO INTERNATIONAL PTE. LTD. 100.00% (D)
    - PILMICO VHF JOINT STOCK COMPANY 100.00% (D)

REAL ESTATE

- ABOITIZ LAND, INC. 100.00% (D)
  - PROPRIEDAD DEL NORTE, INC. 100.00% (B)
  - CEBU INDUSTRIAL PARK DEVELOPERS, INC. 60.00% (B)
  - MISAMIS ORIENTAL LAND DEVT. CORP. 60.00% (B)
  - LIMA LAND, INC. 100.00% (B)
    - LIMA WATER CORP. 100.00% (D)
  - CEBU DISTRICT PROPERTY ENTERPRISE INC. 50.00% (B)
- CEBU PRAEDIA DEVT. CORP. 100.00% (D)

INFRASTRUCTURE

- AEV CRH HOLDINGS, INC. 60.00% (D)
  - REPUBLIC CEMENT & BUILDING MATERIALS, INC. 99.09% (D)
  - REPUBLIC CEMENT MINDANAO, INC. 99.63% (D)
  - REPUBLIC CEMENT ILIGAN, INC. 94.63%
  - LUZON CONTINENTAL LAND CORPORATION 100.00% (D)
- CRH ABOITIZ HOLDINGS, INC. 45.00% (D)
  - REPUBLIC CEMENT SERVICES, INC. 100% (D)
- APO AGUA INFRASTRUCTURA, INC. 70.00% (D)

OTHERS

- ASEAGAS CORPORATION 100.00% (D)
- AEV AVIATION, INC. 99.98% (B)
- ACCURIA, INC. & SUBSIDIARIES 50.4% (D)
- ARCHIPELAGO INSURANCE PTE. LTD. 100.00% (D)

Legend:

B – Beneficial Ownership

D – Direct Ownership

aboitiz
Equity Ventures

REPUBLIC OF THE PHILIPPINES)
CITY OF TAGUIG) S.S.

SECRETARY'S CERTIFICATE

I, **M. JASMINE S. OPORTO** after having been duly sworn according to law, hereby depose and state that:

1. I am a Filipino citizen, of legal age with office address at NAC Tower, 32nd Street, Bonifacio Global City, Taguig City, Metro Manila, Philippines.

2. I am the duly elected and qualified Corporate Secretary of **ABOITIZ EQUITY VENTURES, INC.** (the **"Company"**), a corporation duly organized and existing under and by virtue of the laws of the Philippines with principal office address at 32nd Street, Bonifacio Global City, Taguig City, Metro Manila, Philippines.

3. At the special meeting of the Board of Directors held on **December 18, 2015** at which meeting a quorum was present and acting throughout, the following resolutions were unanimously passed and approved:

> **"RESOLVED**, that the Board of Directors of Aboitiz Equity Ventures, Inc. (the "Company") approve, as it hereby approves the 2015 updates and amendments to the Company's Annual Corporate Governance Report, particularly on the following matters:

Number	ACGR Section	Matter
1	A	Composition of the Board
2	A	Directorship in Other Companies
3	A	Shareholding in the Company
4	A	Voting Result of the last Annual General Meeting
5	A	Continuing Education Programs for Directors
6	B	Dissemination of Code
7	B	Family, Commercial and Contractual Relations
8	C	Attendance of Directors
9	C	Separate Meeting on Non-Executive Directors
10	D	Remuneration Policy and Structure for Executive and Non-Executive Directors
11	D	Aggregate Remuneration
12	D	Remuneration of Management
13	E	Attendance in Board Committees
14	E	Changes in Committee Members

15	E	Work Done and Issues Addressed
16	H	Role of Stakeholders
17	H	Data on Health, Safety and Welfare
18	I	Ownership Structure
19	I	Auditor's Fees
20	I	Release of Audited Financial Report
21	J	Stockholders' Rights (Dividends)
22	J	Stockholders' Participation
23	J	Result of Annual/Special Stockholders' Meeting's Resolutions
24	J	Stockholders' Attendance
25	J	Definitive Information Statements and Management Report
26	L	Corporate Social Responsibility Initiatives

4. These board resolutions have not been revoked, amended, or modified, and remain valid and binding on the Company.

5. The foregoing board resolutions are in accordance with the records of the Company.

IN WITNESS WHEREOF, the undersigned has hereunto set her hand this MAR 3 0 2016 at Taguig City, Philippines.

M. JASMINE S. OPORTO
Corporate Secretary

SUBSCRIBED AND SWORN TO before me this MAR 3 0 2016 at the City of Taguig, Philippines. Affiant, who is personally known to me, exhibited to me her Community Tax Certificate No. 25452049 issued at Taguig City on March 2, 2015 and her Philippine Passport No. EB7264010 issued at DFA Manila on February 1, 2013 bearing the affiant's photograph and signature.

Doc. No. 154;
Page No. 32;
Book No. IV;
Series of 2016.

Joyce Grace B. Casas
Notary Public for Taguig City
Notarial Commission No. 271
Until December 31, 2016
NAC Tower, 32nd Street, Bonifacio Global City, Taguig City
PTR No. A-2626644; Taguig City; January 04, 2016
IBP No. 1017212; January 04, 2016; Taguig City
Roll No. 61486
MCLE No. V-0014277

ATTY. JOYCE GRACE B. CASAS
ROLL NO. 61486
NOTARY PUBLIC

SEC FORM – ACGR

ANNUAL CORPORATE GOVERNANCE REPORT

1. Report is Filed for the Year **2015**

2. Exact Name of Registrant as Specified in its Charter **ABOITIZ EQUITY VENTURES, INC.**

3. **32nd Street, Bonifacio Global City, Taguig City, Metro Manila** — **1634**
   Address of principal office — Postal Code

4. SEC Identification Number **CE02536**

5. [redacted] (SEC Use Only)
   Industry Classification Code

6. BIR Tax Identification Number **003-828-269-V**

7. **(02) 886-2800**
   Issuer's Telephone number, including area code

8. **N.A.**
   Former name or former address, if changed from the last report

TABLE OF CONTENTS

A. BOARD MATTERS

1) Board of Directors

Number of Directors per Articles of Incorporation	nine (9)

Actual number of Directors for the year	nine (9)

(a) Composition of the Board

Complete the table with information on the Board of Directors: (2015-2016)

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID)[1]	Elected when (Annual /Special Meeting)	No. of years served as director
Jon Ramon Aboitiz	NED	NA	**Erramon I. Aboitiz**	**May 9, 1994**	**May 18, 2015**	ASM	**21**
Erramon I. Aboitiz	ED	NA	**Erramon I. Aboitiz**	**May 9, 1994**	**May 18, 2015**	ASM	**21**
Roberto E. Aboitiz	NED	NA	**Dominica Chua**	**May 9, 1994**	**May 18, 2015**	ASM	**21**
Enrique M. Aboitiz	NED	NA	**Erramon I. Aboitiz**	**May 9, 1994**	**May 18, 2015**	ASM	**21**
Justo A. Ortiz	NED	NA	**Jay Maglasang**	**May 9, 1994**	**May 18, 2015**	ASM	**21**
Antonio R. Moraza	NED	NA	**Erramon I. Aboitiz**	**May 18, 2009**	**May 18, 2015**	ASM	**6**
Jose C. Vitug	ID	NA	**Jesusa Z. Nunez, no relationship with the ID**	**May 16, 2005**	**May 18, 2015, 3 years**	ASM	**10**
Stephen T. CuUnjieng	ID	NA	**Raphael L. Sanvictores, no relationship with the ID**	**May 19, 2010**	**May 18, 2015, 3 years**	ASM	**5**
Raphael P.M. Lotilla	ID	NA	**Jovy S. Tan, no relationship with the ID**	**May 21, 2012**	**May 18, 2015, 3 years**	ASM	**3**

Sources: 2014 Definitive Information Statement (SEC Form 20-IS)
2015 AEV Nomination Forms

(b) Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasize the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and board responsibilities.

The Company's **Manual of Corporate Governance** institutionalizes the principles of good corporate governance in the entire organization.

The Board of Directors, Management, Employees, and Shareholders of Aboitiz Equity Ventures Inc. ("Company, "AEV") believe that corporate governance is a necessary component of what constitutes

[1] Reckoned from the election immediately following January 2, 2012.

sound strategic business management and will therefore undertake every effort necessary to create awareness within the organization as soon as possible.

(i) The Company's Manual of Corporate Governance, approved by the Securities and Exchange Commission (SEC) on March 30, 2011 and amended as of January 10, 2014, provides for shareholder rights as follows:

The Board shall be committed to respect the following rights of the stockholders, which include rights of minority shareholders:

1. Voting Right – The Company follows the principle of one share- one vote for each stockholder.

    a. Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code.
    b. Cumulative voting shall be used in the election of directors.
    c. A director shall not be removed without cause if it will deny minority shareholders representation in the Board.

2. Pre-emptive Right

    All shareholders shall have pre-emptive rights, unless the same is denied in the articles of incorporation or an amendment thereto, and in documents signed by such shareholders. They shall have the right to subscribe to the capital stock of AEV. The Articles of Incorporation shall lay down the specific rights and powers of shareholders with respect to the particular shares they hold, all of which shall be protected by law so long as they shall not be in conflict with the Corporation Code.

3. Power of Inspection

    All shareholders shall be allowed to inspect corporate books and records including minutes of Board meetings and stock registries in accordance with the Corporation Code and shall be furnished with annual reports, including financial statements, without cost or restrictions.

4. Right to Information

    a. The shareholders shall be provided, upon request, with periodic reports which disclose personal and professional information about the Directors and officers and certain other matters such as their holdings of AEV's shares, dealings with AEV, relationships among directors and key officers, and the aggregate compensation of directors and officers.
    b. The minority shareholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes.
    c. The minority shareholders shall have access to any and all information relating to matters for which the management is accountable for and to those relating to matters for which the management shall include such information and, if not included, then the minority shareholders shall be allowed to propose to include such matters in the agenda of shareholders' meeting, being within the definition of "legitimate purposes".

5. Right to Dividends

    a. Shareholders shall have the right to receive dividends subject to the

discretion of the Board.

b. AEV intends to maintain an annual cash dividend payment ratio of approximately one-third of its consolidated net income from the preceding fiscal year, subject to the requirements of applicable laws and regulations and the absence of circumstances which may restrict the payment of cash dividends, such as the undertaking by AEV of major projects and developments requiring substantial cash expenditures or restrictions on cash dividend payments under its loan covenants

6. Appraisal Right

The shareholders shall have appraisal right or the right to dissent and demand payment of the fair value of their shares in the manner provided for under Section 82 of the Corporation Code of the Philippines, under any of the following circumstances:

a. In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any shareholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
b. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code; and
c. In case of merger or consolidation.

The Board should be transparent and fair in the conduct of the annual and special shareholders' meetings of AEV. The shareholders should be encouraged to personally attend such meetings. If they cannot attend, they should be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the By-laws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in the shareholder's favor.

It shall be the duty of the directors to promote shareholder rights, remove impediments to the exercise of shareholders' rights and allow possibilities to seek redress for violation of their rights. They shall encourage the exercise of shareholders' voting rights and the solution of collective action problems through appropriate mechanisms. They shall be instrumental in removing excessive costs and other administrative or practical impediments to shareholders' meaningful participation in meetings and/or voting in person. The directors shall pave the way for the electronic filing and distribution of shareholder information necessary to make informed decisions subject to legal constraints. Accurate and timely information should be made available to the shareholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.

Although all shareholders should be treated equally or without discrimination, the Board should give minority shareholders, in accordance with the By-laws, the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of AEV.

Source: Section VIII of Amended Manual of Corporate Governance

(ii) The following are the Company's governance policies regarding Disclosures:

Section VII of the Company's **Manual of Corporate Governance** provides:

"REPORTORIAL OR DISCLOSURE SYSTEM OF AEV'S CORPORATE GOVERNANCE POLICIES"

A. The reports of disclosures required under this Manual shall be prepared and submitted to

the SEC by the responsible Committee or officer through AEV's Compliance Officer.

B. All material information shall be publicly disclosed. Such information shall include earnings results, acquisition or disposal of assets, board changes, related party transactions, shareholdings of directors and changes to ownership.

C. Other information that shall always be disclosed as required by law includes remuneration (including stock options) of all directors and senior management corporate strategy.

D. All disclosed information shall be released via the approved stock exchange procedure for AEV announcements and other required reports.

E. The Board shall commit at all times to fully disclose material information dealings. It shall cause the filing of all required information for the interest of the stakeholders."

In addition, the Company's **Information Disclosure Policy** has the following objectives:

"I. This Disclosure Policy shall be implemented in accordance with applicable laws, and in the best interests of the Company and its shareholders. The goal of disclosure is to provide information to stakeholders and interested parties in order to assist such persons in making sound investment decisions.

II. When disclosing information, the Company shall be guided by the principles of accuracy, accessibility, timeliness, completeness, and regularity, and additionally, will seek to maintain a reasonable balance between the transparency of the Company and the protection of its commercial interests, while complying with relevant provisions of the laws of the Philippines, the Articles of Incorporation, this Policy and other internal documents of the Company.

III. The Company shall not avoid the disclosure of negative information if such information might be considered material or essential to stakeholders or potential investors.

IV. For purposes of disclosure, the preferential treatment of any one group of recipients of such information ("Selective Disclosure") shall be prohibited unless otherwise provided for by the laws of the Philippines, and other applicable and current rules and regulations."

Finally, the Company's **Code of Ethics and Business Conduct** mandates:

"**PROVIDE FAIR AND TRUTHFUL DISCLOSURES TO THE PUBLIC**

The Company has a responsibility under the law to communicate effectively so that the public is provided with full and accurate information in all material respects. To the extent that you are involved in the preparation of materials for dissemination to the public, you should be careful to ensure that the information in these materials is truthful, accurate and complete. In particular, the Company's senior financial officers, executive officers and directors shall endeavor to promote full, fair, accurate, timely and understandable disclosure in the Company's public communications, including documents that the Company files with or submits to the Securities and Exchange Commission and other regulators.

If you become aware of a materially inaccurate or misleading statement in a public communication, you should report it immediately to the Office of the Corporate Secretary, Corporate Information Officer, Compliance Officer or the Audit Committee of the Board of Directors.

MAINTAIN ACCURATE BOOKS AND RECORDS

The Company must maintain accurate and complete books and records. Every business

transaction undertaken by the Company must be recorded correctly and in a timely manner in the Company's books and records. The Company therefore expects you to be candid and accurate when providing information for these documents. You are specifically prohibited from making false or misleading entries in the Company's books and records. In particular, senior financial officers must endeavor to ensure that financial information included in the Company's books and records is correct and complete in all material respects."

Source: Section VII of Amended Manual of Corporate Governance

(iii) The following are the Company's governance policies regarding Board Responsibility:

The Company's **Manual of Corporate Governance** provides for the following duties and responsibilities of members of the Board of Directors:

1. Duties and Responsibilities of a Director

A director shall comply with the following duties and responsibilities:

a. *Conduct fair business transactions with AEV and ensure that personal interest does not bias Board decisions.*

The basic principle to be observed is that a director should not use his position to profit or gain some benefit or advantage for himself and/or his related interests. He should avoid situations that may compromise his impartiality. If an actual or potential conflict of interest may arise on the part of a director, he should fully and immediately disclose it and should not participate in the decision-making process. A director who has a continuing material conflict of interest should seriously consider resigning from his position.

A conflict of interest shall be considered material if the director's personal or business interest is antagonistic to that of AEV, or stands to acquire or gain financial advantage at the expense of AEV.

b. *Devote time and attention necessary to properly discharge his duties and responsibilities.*

A director should devote sufficient time to familiarize himself with AEV's business. He should be constantly aware of and knowledgeable with AEV's operations to enable him to meaningfully contribute to the Board's work. He should attend and actively participate in Board and committee meetings, review meeting materials and, if called for, ask questions or seek explanation.

c. *Act judiciously*.

Before deciding on any matter brought before the Board, a director should carefully evaluate the issues and, if necessary, make inquiries and request clarification.

d. *Exercise independent judgment.*

A director should view each problem or situation objectively. If a disagreement with other directors arises, he should carefully evaluate and explain his position. He should not be afraid to take an unpopular position. Corollarily, he should support plans and ideas that he thinks are beneficial to AEV.

e. *Have a working knowledge of the statutory and regulatory requirements affecting AEV, including the contents of its Articles of Incorporation and By-Laws, the requirements of the SEC, and where applicable, the requirements of*

other regulatory agencies.

A director should also keep abreast with industry developments and business trends in order to promote AEV's competitiveness. The Corporate Information Officer shall ensure that directors and officers shall be updated on their corporate duties and responsibilities and on current relevant laws, rules and jurisprudence, and best business practices.

f. *Observe confidentiality.*

A director should keep secure and confidential all non-public information he may acquire or learn by reason of his positions as director. He should not reveal confidential information to unauthorized persons without the authority of the Board.

To honor their responsibilities as Board members, representing all owners/shareholders and other key stakeholders, the Board Director must:

a. Take time to understand the Aboitiz Group, its goals and strategies, its businesses, its governance, its brand and its key policies.
b. Represent the Aboitiz Group positively and constructively in all external dealings, seeking to enhance the Aboitiz name and reputation.
c. Perform the role of Board member effectively, by:
    i. Regularly attending meetings
    ii. Effectively contributing during discussion
    iii. Willingly offering alternative viewpoints, to reflect own personal viewpoints
    iv. Offering any viewpoints objectively, avoiding any comments of a personal nature about another member of the Board or his/her viewpoints
    v. Listening to the viewpoints of other Board members with full respect and with care, to achieve optimal understanding
    vi. Fully supporting decisions made by the Board in the external arena, even if that decision did not completely reflect own viewpoints.

d. If an Executive Director, maintain a primary identity as a Board member, while dealing with Board matters, at the same time bringing to the Board the benefit of closer knowledge of operational considerations.
e. If an Independent Director, bring fully to the Board the benefit of the particular experience or expertise that encouraged the invitation to become a Board member, at the same time not feeling constrained to contribute on matters that may be outside personal experience and expertise.
f. Be constantly vigilant related to maintaining complete external confidentiality on details of Board discussions, individual viewpoints and any matters of sensitivity, other than the Board agrees is to be communicated in a specific manner.
g. Seek to find ways to continuously improve the efficiency and effectiveness of the Board, taking any suggestions related to this to the Board Chairman for his consideration.
h. Be prepared to receive and act upon any feedback received through the Board Chairman on ways that the member might improve performance as a Board Director.

A Board member may also be invited to become a member of one or more Board Committees. That committee(s) will have been formed by the Board to satisfy Board needs in relation to focused consideration of matters in a specific arena, as described in the Committee mandate, for the purpose of better ensuring that the Board is in a position to make properly informed decisions in that arena. To honor their responsibilities as a Board Committee member, the Board Director must:

a. Become familiar with the Committee mandate
b. Become familiar with specific content areas covered by the Committee, and not seek to divert into areas of content not specifically envisioned by the Committee mandate
c. Regularly attend Committee meetings
d. Effectively contribute during discussion
e. Willingly offer alternative viewpoints, to reflect own personal experiences and opinions
f. Constructively engage with the Group CEO and any other senior leader of the Group, who may be consulted for the purpose of the Committee being better informed, or better positioned to offer the Board a more reliable recommendation
g. Maintaining external confidentiality related to details of Committee discussion, including the individual views of members, other than as agreed for formal communication to the Board and/or Senior Management by the Committee as a whole
h. Seek to find ways to continuously improve the efficiency and effectiveness of the Committee, taking any suggestions related to this to the Committee Chairman for his consideration.
i. Be prepared to receive and act upon any feedback received through the Committee Chairman on ways that the member might improve performance as a Committee member.

Should the Board member accept an invitation to act in the capacity of the Chairman of the Board Committee, these responsibilities are expanded to include overseeing the conduct of the Board Committee in line with the Committee Mandate, including:

a. Managing the agenda of Committee meetings.
b. Chairing Committee meetings, ensuring proper consideration of matters for discussion and recommendation to the full Board.
c. Ensuring each member of the Committee has full opportunity to express views and contribute effectively to discussion.
d. Drawing attention to a Committee member in any situation where for one reason or another, the member is not contributing to discussion and recommendations as effectively as he/she could.
e. Drawing to the attention of the Board Chairman any situation where for one reason or another, a Committee member is failing consistently to honor responsibilities as a Committee member, as outlined above.
f. Ensuring appropriate record of Committee deliberations and conclusions are maintained.
g. Leading and facilitating the Committee in reporting back to the Chairman of the Board, or the Board overall, on considerations and recommendations on any matter, including both majority conclusions and recommendations and minority conclusions and recommendations.

Moreover, the Company's **Board Protocol** provides for the following general responsibilities of members of the Board Directors:

A Director should be aware of his role and appreciate the crucial differences between management and direction. He should have an understanding of the legal framework within which they operate. A Director should have a good understanding of a board's operation and how to ensure its effectiveness.

In this regard, the following are the basic qualities and competencies that a Board Director should possess or endeavor to acquire:

a. Strategic business direction;
b. Basic principles and practice of finance and accounting;

c. Human resource direction;
d. Improving business performance; and
e. Organizing for the future.

With the above, the Director is therefore expected to:

a. Owe his duty of care and loyalty to the Company.
b. Respect and uphold all decisions made by the Board as a collegial body.
c. Devote time and attention necessary to properly discharge his duties and responsibilities.
d. A Director shall observe prudence in the handling of sensitive company information.
e. A Director shall undergo a seminar on corporate governance principles, on relevant laws and charters applicable to the Company and the Board, and on the various businesses of the Company upon appointment to the Board.

The Board of Directors of the Company also approved in its regular meeting held on July 24, 2014 the amendments to the Company's Manual of Corporate Governance as mandated by SEC Memorandum Circular No. 9-2014. These amendments reflect the thrust of the Company to protect and uphold the rights and interests not only of the shareholders but also of its other stakeholders.

(*Updated as of December 31, 2014*)

(c) How often does the Board review and approve the vision and mission?

The Board participated in a Board Retreat and Strategy Refresh to discuss both the strategic roadmap and policies of the Company, and a review of the Company's vision and mission. The Board, together with key officers, participated in a strategy workshop last December 4, 2015, to refresh the Company's vision, mission, strategy and, corporate initiatives and core businesses.

(*Updated as of December 31, 2015*)

(d) Directorship in Other Companies

(i) Directorship in the Company's Group[2]

Identify, as and if applicable, the members of the Company's Board of Directors who hold the office of director in other companies within its Group:

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Jon Ramon Aboitiz	Aboitiz & Company, Inc. (ACO), Accuria, Inc.	Non-Executive, Chairman
	Aboitiz Power Corporation, Twin Cities Condominium Owners' Association, Inc.	Non-Executive
	Union Bank of the Philippines	Executive
Erramon I. Aboitiz	Aboitiz & Company, Inc., Aboitiz Power Corporation	Executive

[2] The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

	Aboitiz Renewables, Inc., Abovant Holdings, Inc., Accuria, Inc., AEV CRH Holdings, Inc. AP Renewables, Inc., APO Agua Infrastructura, Inc., Archipelago Insurance Pte Ltd., Aseagas Corporation, Balamban Enerzone Corporation, Cebu Energy Development Corporation, Cotabato Ice Plant, Inc., Cotabato Light & Power Corporation, CRH Aboitiz Holdings, Inc., Davao Light & Power Company, Inc., Filagri Holdings, Inc., Lima Enerzone Corporation, Mactan Enerzone Corporation, Manila-Oslo Renewable Enterprise, Inc., Mount Apo Geopower Inc., Negron Cuadrado Geopower, Inc. Olongapo Energy Corporation, San Fernando Electric Light & Power Co., Inc., SN Aboitiz Power – Benguet, Inc., SN Aboitiz Power – Cordillera, Inc., SN Aboitiz Power –Energy, Inc., SN Aboitiz Power –Generation, Inc., SN Aboitiz Power – Greenfield, Inc., SN Aboitiz Power – Ifugao, Inc., SN Aboitiz Power – Magat, Inc., SN Aboitiz Power – Projects, Inc., SN Aboitiz Power – Renewables, Inc. Subic EnerZone Corporation, Therma Power, Inc., Therma Power Visayas, Inc.,	Non-Executive, Chairman
	Pagbilao Energy Corporation, Petnet, Inc., Pilmico Animal Nutrition Corporation, Pilmico Foods Corporation, Proprieded Del Norte, Inc., Redondo Peninsula Energy, Inc., Therma Kuzon, Inc. Therma Mobile, Inc., Therma South, Inc., UnionBank, Pilmico Foods Corporation (Pilmico), and Redondo Peninsula Energy, Inc.	Non-Executive
Roberto E. Aboitiz	Aboitiz Power Corporation, Davao Light & Power Company, Inc., Cotabato Light & Power Company, Tsuneishi Heavy Industries (Cebu), Inc.	Non-Executive
	Aboitiz & Company, Inc.Tsuneishi Foundation (Cebu), Inc. West Cebu foundation, Inc.	Executive

Enrique M. Aboitiz	Aboitiz Power Corporation, WeatherPhilippines Foundation, Inc.	Non-Executive, Chairman
	Aboitiz & Company, Inc.,	Non-Executive
	Accuria, Inc.	Executive
Justo A. Ortiz	Union Bank of the Philippines	Executive, Chairman
	Accuria, Inc.	Non-Executive, Chairman
Antonio R. Moraza	FBMA Marine, Inc., La Filipina Electrika, Inc. Redondo Peninsula Energy, Inc., San Carlos Sun Power, Inc., SN Aboitiz Power-Benguet, SN Aboitiz Power-Energy, SN Aboitiz Power-Generation, SN Aboitiz Power-Greenfield, SN Aboitiz Power-Magat, SN Aboitiz Power-Projects, SN Aboitiz Power-Renewables, Southern Philippines Power Corporation, STEAG, Twin Cities Condominium Owners' Association, Inc., Western Mindanao Power Corporation	Non-Executive
	Bakun Power Line Corporation, Cordillera Hydro Corporation, Cotabato Light & Power Corporation, Davao Light & Power Corporation, Filagri Holdings, Inc., Hedcor Benguet, Inc., Hedcor Bukidnon, Inc., Hedcor Kabayan, Inc., Hedcor Ifugao, Inc., Hedcor Itogon, Inc., Hedcor Kalinga, Inc., Hedcor Mt. Province, Inc., Hedcor Sabangan, Inc., Hedcor Tamugan, Inc., Kookaburra Equity Ventures, Inc., Pagbilao Energy Corporation, , PANC, PFC, Pilmico Animal Nutrition Corporation, Retensol, Inc., Therma Visayas, Inc., Therma Mobile, Inc., Therma South, Inc., Therma Marine, Inc., Therma Luzon, Inc., Luzon Hydro Corporation, Hedcor, Inc., Hedcor Tudaya, Inc., Hedcor Sibulan, Inc., Cebu Private Power Corporation AP Renewables, Inc. Tagoloan Hydro Corporation,	Non-executive, Chairman
	ACO, Abovant Holdings, Inc., ARI,AP Renewable Energy Corporation, AP Solar Tiwi, Inc., Cebu Energy Development Corporation, Clenergy, Inc., TPI and Manila-Oslo Renewable Enterprise, Inc. Mount Apo	Executive

	Geopower, Inc., Negron Cuadrado Geopower, Inc., Neptune Hydro, Inc., SEA (South East Asia) Orient Corporation, SN Aboitiz Power-Cordillera, SN Aboitiz Power-Ifugao, Therma Central Visayas, Inc., Therma Power Visayas, Inc. Therma Subic, Inc.,	
Jose C. Vitug	None	
Stephen T. CuUnjieng	None	
Raphael P.M. Lotilla	None	

(For the term 2015-2016)

(ii) Directorship in Other Listed Companies

Identify, as and if applicable, the members of the company's Board of Directors who are also directors of publicly-listed companies outside of its Group:

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Jose C. Vitug	ABS-CBN Holding Corp.	Independent
Jon Ramon Aboitiz	Bloomberry Resorts Corporation	Independent
Jon Ramon Aboitiz	International Container Terminal Services, Inc.	Non-executive

(For the term 2015-2016)

(iii) Relationship within the Company and its Group

Provide details, as and if applicable, of any relation among the members of the Board of Directors, which links them to significant shareholders in the company and/or in its group:

Director's Name	Name of the Significant Shareholder	Description of the relationship
Jon Ramon Aboitiz	Ramon Aboitiz Foundation, Inc.	Vice President
Jon Ramon Aboitiz	Aboitiz & Company, Inc.	Chairman
Erramon I. Aboitiz	Aboitiz & Company, Inc.	President/ CEO/ Director
Roberto E. Aboitiz	Aboitiz & Company, Inc.	Director
Roberto E. Aboitiz	Ramon Aboitiz Foundation, Inc.	President
Antonio R. Moraza	Aboitiz & Company, Inc.	Director
Enrique M. Aboitiz	Aboitiz & Company, Inc.	Director

(iv) Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? In particular, is the limit of five board seats in other publicly listed companies imposed and observed? If yes, briefly describe other guidelines:

	Guidelines	Maximum Number of Directorships in other companies
Executive Director	As provided in the Company's Manual of Corporate Governance, the following guidelines shall be used in the determination of the	As a holding company, the Company's executive directors are appointed to Board seats of the Company's Business Units or

	number of directorships for Board members: a) The nature of the business of AEV; b) Age of the director; c) Number of directorship/active memberships and officerships in other corporations or organizations; and d) Possible conflict of interest. The optimum number of directorships a Director shall hold shall be related to the capacity of a Director to perform his duties diligently in general. The CEO and other executive directors shall submit themselves to a low inactive limit on membership in other corporate boards. The same low limit shall apply to independent, non-executive directors who serve as full-time executives in other corporations. In any case, the capacity of directors to serve with diligence shall not be compromised.	operational companies within the Aboitiz Group. The Company follows the SEC rule on term and directorship limits of directors.
Non-Executive Director	As provided in the Company's Manual of Corporate Governance, the following guidelines shall be used in the determination of the number of directorships for Board members: a) The nature of the business of AEV; b) Age of the director; c) Number of directorship/active memberships and officerships in other corporations or organizations; and d) Possible conflict of interest. The optimum number of directorships a Director shall hold shall be related to the capacity of	Same as above

	a Director to perform his duties diligently in general.	
CEO	The CEO and other executive directors shall submit themselves to a low inactive limit on membership in other corporate boards. The same low limit shall apply to independent, non-executive directors who serve as full-time executives in other corporations. In any case, the capacity of directors to serve with diligence shall not be compromised.	Same as above

The Company's Independent Directors sit in no more than five boards of publicly-listed companies (PLCs), as shown in the certification of affiliations required from each of the nominated Independent Directors. Likewise, executive directors do not generally sit on other boards of PLCs outside the Group, unless they have substantial interest in the said company or they have been asked to sit in the capacity as independent directors. Currently, the Company's executive directors do not sit in more than two boards of listed companies outside the Aboitiz Group.

(c) Shareholding in the Company

Complete the following table on the members of the company's Board of Directors who directly and indirectly own shares in the company:

Name of Director	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Jon Ramon Aboitiz	4,648	129,200,932	0.00%; 2.33%
Erramon I. Aboitiz	1,001,000	**58,477,269**	0.02%; **1.05%**
Roberto E. Aboitiz	10	0	0.00%
Enrique M. Aboitiz	6,000	0	0.00%;
Justo A. Ortiz	1	0	0.00%
Antonio R. Moraza	1,000	15,351,132	0.00%; 0.28%
Jose C. Vitug	100	72,020	0.00%; 0.00%
Stephen T. CuUnjieng	100	0	0.00%
Raphael P.M. Lotilla	100	0	0.00%

(Updated as of December 31, 2015)

2) Chairman and CEO

(a) Do different persons assume the role of Chairman of the Board of Directors and CEO? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.

Yes ✓ No

Identify the Chair and CEO:

Chairman of the Board	Jon Ramon Aboitiz
CEO/President	Erramon I. Aboitiz

(b) Roles, Accountabilities and Deliverables

Define and clarify the roles, accountabilities and deliverables of the Chairman and CEO.

	Chairman	Chief Executive Officer
Role	The Chairman, who may be a non-Executive Director, shall preside in all meetings of the Board of Directors and stockholders. He shall approve the agenda for all meetings of the Board of Directors and stockholders and also inform the Board of Directors and the stockholders of matters of interest to them at their respective meetings.	The President shall have "general supervision of the business affairs and property of the Corporation and over its several offices and employees. When designated as authorized representative and signatory of the Corporation, he shall execute all resolutions of the Board and sign all certificates, contracts and other written undertakings of the Corporation. He shall submit to the Board, as soon as possible, at each annual meeting, a complete report of the operations of the Corporation for the preceding year and the state of its affairs. He shall also from time to time, report to the Board matters within his knowledge which the interests of the Corporation may require to be brought to its notice. He shall do and perform such other duties as from time to time may be assigned to him by the Board of Directors."
Accountabilities	BOARD LEADERSHIP AND THE ROLE OF THE CHAIRMAN a. The Chairman shall exercise independent judgment, act objectively, and ensure (alongside the President and Chief Executive Officer) that all relevant matters are included in the agenda and prioritized properly, giving more weight to "performance duties" (i.e. strategy and policy) over "compliance duties" (i.e. monitoring and accountability). b. The Chairman shall ensure that all the Directors are fully involved and informed of any business issue on which a decision has to be taken. c. The Chairman, with the assistance of the Corporate Secretary and the President and Chief Executive Officer, shall determine the annual Board Plan and Agenda and other strategic issues. d. The Chairman shall be responsible for the integrity of the Board process, such that decisions made shall be explicit, timely, relevant to the Company's vision and strategy, and anchored on policies, values and ethical standards. e. In the event that the Chairman may	THE PRESIDENT AND THE CEO All Board authority delegated to management is delegated through the President, so that all authority and accountability of management – as far as the board is concerned – is considered to be the authority and accountability of the President. a. The Board will specify to the President of the Company the strategic directions and expects him to achieve certain results based on a set of measures/milestones and targets that had been clearly communicated and understood. b. As long as the President uses any reasonable interpretation of the Board's directions, the President is authorized to establish all further policies, make all decisions, take all actions, establish all practices, and develop all initiatives. c. Only decisions of the Board acting as a body are binding upon the President. d. Decisions or instructions of individual board members, officers, or committees are not binding on the President except in rare circumstances when the Board

	not be available or capable of performing the above functions, the Vice Chairman or in his absence, any of the directors present, may act as "Lead Director" and shall automatically take over the leadership in the meeting of the Board. The following are the conditions upon which this provision would apply: i. Physical absence; ii. Conflict of interests; or iii. As the Board may deem necessary. f. It is also strongly desired to have a Chairman who, among other traits, possesses the following: i. Wide experience, preferably at board level, in successful organizations; ii. Capacity for strategic thinking and ability to make quick and important decisions; iii. Working understanding of finance as well as accounts and reports systems; iv. Excellent leadership and communication skills; v. Appropriate training in corporate governance and professional directorship; and vi. Limited number of other directorships.	has specifically authorized such exercise of authority. e. In the case of board members or committees requesting information or assistance without board authorization, the President can refuse such requests that require – in the President's judgment – a material amount of staff time or funds or are disruptive.
Deliverables	(as enumerated above)	(as enumerated above)

Source: Article III of the Company's By-laws
Board Protocol

(c) Explain how the board of directors plan for the succession of the CEO/Managing Director/President and the top key management positions?

The Company has in place the Aboitiz Talent Management Program (ATMP). This program addresses the top executive succession planning and group-wide organizational executive and management bench. The program guidelines and developments are presented and reviewed by the Board Corporate Governance Committee.

3) Other Executive, Non-Executive and Independent Directors

Does the company have a policy of ensuring diversity of experience and background of directors in the board? Please explain.

It is the policy of the Company to nominate and elect directors who represent a mix of highly competent directors and officers with in-depth knowledge and experience in the core industries of AEV or corporate management and financial expertise valuable to the Company. Other factors considered are independent-mindedness, ethical behavior and value contribution. The Company follows a formal and transparent board nomination and election process to ensure protection of the interests of all shareholders. Any shareholder

may nominate a director and Independent Director. Nominees for directors are submitted to the Board Corporate Governance Committee (to which the Nominations and Compensation Committee has been merged into). The overall procedure is in compliance with the Amended Implementing Rules and Regulations of the Securities Regulation Code.

Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain.

The Company's selection process ensures that at least one non-executive director has experience in the industries the Company operates in. For example, Mr. Antonio R. Moraza, who has been a non-executive director of the Company since 2009, is concurrently the President and Chief Operating Officer of Aboitiz Power Corporation, one of the Company's subsidiaries engaged in its main business of power generation and distribution. Moreover, Messrs. Justo A. Ortiz and Stephen T. CuUnjieng, who are likewise non-executive directors of the Company, have extensive banking experience relevant to the Company's banking unit.

Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors:

	Executive	Non-Executive	Independent Director
Role	A director's office is one of trust and confidence. A director shall act in the best interest of AEV in a manner characterized by transparency, accountability and fairness. He should also exercise leadership, prudence and integrity in directing AEV towards sustained progress. It shall be the Board's responsibility to foster the long-term success of AEV and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of AEV, its shareholders and stakeholders.	A director's office is one of trust and confidence. A director shall act in the best interest of AEV in a manner characterized by transparency, accountability and fairness. He should also exercise leadership, prudence and integrity in directing AEV towards sustained progress. It shall be the Board's responsibility to foster the long-term success of AEV and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of AEV, its shareholders and stakeholders.	A director's office is one of trust and confidence. A director shall act in the best interest of AEV in a manner characterized by transparency, accountability and fairness. He should also exercise leadership, prudence and integrity in directing AEV towards sustained progress. It shall be the Board's responsibility to foster the long-term success of AEV and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of AEV, its shareholders and stakeholders.
Accountabilities	A director shall comply with the following duties and responsibilities: a) *Conduct fair business transactions with AEV and ensure that personal interest does not bias Board decisions.* The basic principle to be observed is that a	A director shall comply with the following duties and responsibilities: a) *Conduct fair business transactions with AEV and ensure that personal interest does not bias Board decisions.* The basic principle to be observed is that a	The independent director has the same duties and responsibilities as the executive and non-executive directors. In addition, independent directors have the additional responsibility to "bring fully to the Board the benefit of the particular experience or

	director should not use his position to profit or gain some benefit or advantage for himself and/or his related interests. He should avoid situations that may compromise his impartiality. If an actual or potential conflict of interest may arise on the part of a director, he should fully and immediately disclose it and should not participate in the decision-making process. A director who has a continuing material conflict of interest should seriously consider resigning from his position. A conflict of interest shall be considered material if the director's personal or business interest is antagonistic to that of AEV, or stands to acquire or gain financial advantage at the expense of AEV. b) *Devote time and attention necessary to properly discharge his duties and responsibilities.* A director should devote sufficient time to familiarize himself with AEV's business. He should be constantly aware of and knowledgeable with AEV's operations to enable him to meaningfully contribute to the Board's work. He should attend and actively participate in Board and committee meetings, review meeting materials and, if called for, ask questions or seek explanation.	director should not use his position to profit or gain some benefit or advantage for himself and/or his related interests. He should avoid situations that may compromise his impartiality. If an actual or potential conflict of interest may arise on the part of a director, he should fully and immediately disclose it and should not participate in the decision-making process. A director who has a continuing material conflict of interest should seriously consider resigning from his position. A conflict of interest shall be considered material if the director's personal or business interest is antagonistic to that of AEV, or stands to acquire or gain financial advantage at the expense of AEV. b) *Devote time and attention necessary to properly discharge his duties and responsibilities.* A director should devote sufficient time to familiarize himself with AEV's business. He should be constantly aware of and knowledgeable with AEV's operations to enable him to meaningfully contribute to the Board's work. He should attend and actively participate in Board and committee meetings, review meeting materials and, if called for, ask questions or seek explanation.	expertise that encouraged the invitation to become a Board member, at the same time not feeling constrained to contribute on matters that may be outside personal experience and expertise."

	c) *Act judiciously*. Before deciding on any matter brought before the Board, a director should carefully evaluate the issues and, if necessary, make inquiries and request clarification. d) *Exercise independent judgment.* A director should view each problem or situation objectively. If a disagreement with other directors arises, he should carefully evaluate and explain his position. He should not be afraid to take an unpopular position. Corollarily, he should support plans and ideas that he thinks are beneficial to AEV. e) *Have a working knowledge of the statutory and regulatory requirements affecting AEV, including the contents of its Articles of Incorporation and By-Laws, the requirements of the SEC, and where applicable, the requirements of other regulatory agencies.* A director should also keep abreast with industry developments and business trends in order to promote AEV's competitiveness. The Corporate Information Officer shall ensure that directors and officers shall be updated on their corporate duties and responsibilities and on current relevant laws, rules and jurisprudence, and best business practices.	c) *Act judiciously*. Before deciding on any matter brought before the Board, a director should carefully evaluate the issues and, if necessary, make inquiries and request clarification. d) *Exercise independent judgment.* A director should view each problem or situation objectively. If a disagreement with other directors arises, he should carefully evaluate and explain his position. He should not be afraid to take an unpopular position. Corollarily, he should support plans and ideas that he thinks are beneficial to AEV. e) *Have a working knowledge of the statutory and regulatory requirements affecting AEV, including the contents of its Articles of Incorporation and By-Laws, the requirements of the SEC, and where applicable, the requirements of other regulatory agencies.* A director should also keep abreast with industry developments and business trends in order to promote AEV's competitiveness. The Corporate Information Officer shall ensure that directors and officers shall be updated on their corporate duties and responsibilities and on current relevant laws, rules and jurisprudence, and best business practices.	

	f) *Observe confidentiality.* A director should keep secure and confidential all non-public information he may acquire or learn by reason of his positions as director. He should not reveal confidential information to unauthorized persons without the authority of the Board. g) *Keep abreast of good corporate governance practices.* A Director shall undergo a seminar on corporate governance principles, on relevant laws and charters applicable to the Company and the Board, and on the various businesses of the Company upon appointment to the Board.	f) *Observe confidentiality.* A director should keep secure and confidential all non-public information he may acquire or learn by reason of his positions as director. He should not reveal confidential information to unauthorized persons without the authority of the Board. g) *Keep abreast of good corporate governance practices.* A Director shall undergo a seminar on corporate governance principles, on relevant laws and charters applicable to the Company and the Board, and on the various businesses of the Company upon appointment to the Board.	
Deliverables	(as enumerated above)	(as enumerated above)	(as enumerated above)

Source: Amended Manual of Corporate Governance
AEV Board Protocol

Provide the company's definition of "independence" and describe the company's compliance to the definition.

The Company uses the definition of independence of the SEC which is "a person other than an officer or employee of the Company, its parent or subsidiaries, or any other individual having a relationship with the Company, which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director." To ensure compliance with the said definition, the Corporate Governance Committee adopted its own guidelines on the nomination of the Company's independent directors, which includes a list of qualifications and disqualifications for independent members of the Board. The said committee pre-screens and shortlists all candidates nominated to become a member of the board of directors in accordance with a list of qualifications and disqualifications provided in its guidelines.

Does the company have a term limit of five consecutive years for independent directors? If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years? Please explain.

The Company adopted SEC Memorandum Circular No. 9, Series of 2011, regarding Term Limits for Independent Directors, which allow an Independent Director to serve for two terms of five (5) consecutive years each, provided there is a two-year cooling off period in between the terms. This circular aims to enhance the effectiveness of Independent Directors and encourage the infusion of fresh ideas into the Board of Directors. In compliance with the said Memorandum, the Board Corporate Governance Committee regularly monitors the tenure of the Company's Independent Directors.

4) Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)

(a) Resignation/Death/Removal

Indicate any changes in the composition of the Board of Directors that happened during the period:

Name	Position	Date of Cessation	Reason
No change for the current period 2015-2016.	NA	NA	NA

(b) Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension

Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors. Provide details of the processes adopted (including the frequency of election) and the criteria employed in each procedure:

Procedure	Process Adopted	Criteria
a. Selection/Appointment		
(i) Executive Directors	"Nominations for the election of directors for the ensuing year must be received by the Corporate Secretary no less than fifteen (15) working days prior to the annual meeting of stockholders, except as may be provided by the Board of Directors in appropriate guidelines that it may promulgate from time to time in compliance with law."	A member of the Board must be: a) a holder of at least one (1) share of stock of AEV; b) at least a college graduate or have sufficient experience in managing the business to substitute for such formal education; c) at least twenty one (21) years old; d) proven to possess integrity and probity; e) have no conflict of interest; f) able to devote his time in fulfilling his duties and responsibilities as Director; g) has practical understanding of the businesses of AEV; h) membership in good standing in relevant industry, business or professional organizations; and i) has previous business experience.

(ii) Non-Executive Directors	Same as above	Same as above
(iii) Independent Directors	Nominations for independent directors are accepted starting January 1 of the year in which such nominee director is to serve and every year thereafter, with the table for nominations to be closed by February 15 of the same year.	**In addition to the foregoing qualifications, the ID must also meet all the requirements of Section 17.2 of the SRC.**
b. Re-appointment		
(i) Executive Directors	"Nominations for the election of directors for the ensuing year must be received by the Corporate Secretary no less than fifteen (15) working days prior to the annual meeting of stockholders, except as may be provided by the Board of Directors in appropriate guidelines that it may promulgate from time to time in compliance with law."	A member of the Board must be: a) a holder of at least one (1) share of stock of AEV; b) at least a college graduate or have sufficient experience in managing the business to substitute for such formal education; c) at least twenty one (21) years old; d) proven to possess integrity and probity; e) have no conflict of interest; f) able to devote his time in fulfilling his duties and responsibilities as Director; g) has practical understanding of the businesses of AEV; h) membership in good standing in relevant industry, business or professional organizations; and i) has previous business experience.
(ii) Non-Executive Directors	Same as above	Same as above
(iii) Independent Directors	Nominations for independent directors are accepted starting January 1 of the year in which such nominee director is to serve and every year thereafter, with the table for nominations to be closed by February 15 of the same year.	**In addition to the foregoing qualifications, the ID must also meet all the requirements of Section 17.2 of the SRC.**
c. Permanent Disqualification		

(i) Executive Directors	The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.	The following shall be grounds for the permanent disqualification of a director: a) Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as affiliated person of any of them; b) Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the SEC or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities. The disqualification shall also apply if such person is currently the subject of an order of the SEC or any court

		or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the SEC or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the SEC or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization; c) Any person finally convicted judicially or by competent administrative body of an offense involving moral turpitude or fraudulent act or transgressions; d) Any person finally found by the SEC or a court or other administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of, any provision of the Securities Regulation Code, the Corporation Code, or any other law administered by the SEC or BSP, or any rule, regulation or order of the SEC or BSP; e) Any person judicially declared to be insolvent; f) Any person finally found guilty by a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in the foregoing paragraphs; and

		g) Conviction by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code, committed within five (5) years prior to the date of his election or appointment.
(ii) Non-Executive Directors	The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.	Same as above
(iii) Independent Directors	The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.	In addition to the above grounds for disqualification of a director, an independent director shall be disqualified when: (a) the independent director becomes an officer or employee of AEV he shall be automatically disqualified from being an independent director; (b) If the beneficial equity ownership of an independent director in AEV or its subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with.
d. Temporary Disqualification		
(i) Executive Directors	The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.	Any of the following shall be a ground for the temporary disqualification of a director: a) Refusal to fully disclose the extent of his business interest as required under the Securities Regulation Code and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists; b) Absence or non-

		participation for whatever reason for more than fifty percent (50%) of all meetings, both regular and special, of the Board of Directors during his incumbency, on any twelve (12) month period during said incumbency. This disqualification applies for purposes of the succeeding election; c) Dismissal from directorship in another listed corporation for cause. This disqualification shall be in effect until he has cleared himself of any involvement in the alleged irregularity; d) Being under preventive suspension by AEV; e) If the independent director becomes an officer or employee of AEV he shall be automatically disqualified from being an independent director; f) Conviction that has not yet become final referred to in the grounds for the disqualification of directors; and A temporarily disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate actions to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.
(ii) Non-Executive Directors	The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.	Same as above
(iii) Independent Directors	The Compliance Officer shall	Same as above

	be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.	
e. Removal		
(i) Executive Directors	The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.	The commission of a third violation of the Company's Manual of Corporate Governance by any member of the board of AEV or its subsidiaries and affiliates shall be a sufficient cause for removal from directorship.
(ii) Non-Executive Directors	The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.	Same as above
(iii) Independent Directors	The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.	Same as above
f. Re-instatement		
(i) Executive Directors	"Nominations for the election of directors for the ensuing year must be received by the Corporate Secretary no less than fifteen (15) working days prior to the annual meeting of stockholders, except as may be provided by the Board of Directors in appropriate guidelines that it may promulgate from time to time in compliance with law."	A member of the Board must be: a) a holder of at least one (1) share of stock of AEV; b) at least a college graduate or have sufficient experience in managing the business to substitute for such formal education; c) at least twenty one (21) years old; d) proven to possess integrity and probity; e) have no conflict of interest; f) able to devote his time in fulfilling his duties and responsibilities as Director;

		g) has practical understanding of the businesses of AEV; h) membership in good standing in relevant industry, business or professional organizations; and i) has previous business experience.
(ii) Non-Executive Directors	Same as above	Same as above
(iii) Independent Directors	Nominations for independent directors are accepted starting January 1 of the year in which such nominee director is to serve and every year thereafter, with the table for nominations to be closed by February 15 of the same year.	**In addition to the foregoing qualifications, the ID must also meet all the requirements of Section 17.2 of the SRC.**
g. Suspension		
(i) Executive Directors	The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.	Suspension from office shall be imposed in the case of a second violation. The duration of the suspension shall depend on the gravity of the violation.
(ii) Non-Executive Directors	The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.	Suspension from office shall be imposed in the case of a second violation. The duration of the suspension shall depend on the gravity of the violation.
(iii) Independent Directors	The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.	Suspension from office shall be imposed in the case of a second violation. The duration of the suspension shall depend on the gravity of the violation.

Source: Article I, Section 7 of the Company's Amended By-Laws
Amended Manual of Corporate Governance
Guidelines for the Nomination and Election of Independent Directors

Voting Result of the last Annual General Meeting

Name of Director	Votes Received
Jon Ramon Aboitiz	**4,842,595,593**

Erramon I. Aboitiz	**4,851,665,450**
Roberto E. Aboitiz	**4,814,446,786**
Enrique M. Aboitiz	**4,829,475,058**
Justo A. Ortiz	**4,816,140,828**
Antonio R. Moraza	**4,846,226,954**
Jose C. Vitug	**4,840,737,619**
Stephen T. CuUnjieng	**4,844,507,089**
Raphael P.M. Lotilla	**4,844,507,089**

(May 18, 2015 Annual Stockholders' Meeting)

5) Orientation and Education Program

(a) Disclose details of the company's orientation program for new directors, if any.

All newly elected directors undergo a director's orientation program provided by independent service providers and other training programs that will enhance their understanding of roles and develop their technical knowledge to discharge their functions effectively. In addition, regular seminars and briefings are conducted during Board meetings regarding the Company's business especially geared towards familiarizing new directors with the Company's business environment.

Newly-elected directors are likewise provided with copies of all company policies prior to their assumption of their new positions.

(b) State any in-house training and external courses attended by Directors and Senior Management[3] for the past three (3) years:

To improve Board knowledge depth and efficiency of its Members, members of the Board attend various training seminars, as listed **in item (c)** below.

(c) Continuing education programs for directors: programs and seminars and roundtables attended during the year.

Name of Director/Officer	Date of Training	Program	Name of Training Institution
All Directors and Senior Officers	March 2013	Aon Risk Maturity Index Assessment	Company-sponsored
All Directors and Senior Officers	July 16, 2013	Internal Audit and Risk Management Forum	Company-sponsored
All Directors and Senior Officers	September 26, 2013	Briefing on Open Access, Mindanao Interim Electricity Market and Line Charges Rental	Company-sponsored
All Directors	December 16, 2013	Board Retreat	Company-sponsored
Senior Officers	July 18, 2014	Leadership Circle	Clifford Scott, Catalyst Leadership
All Directors and Key Officers	July 24, 2014	Corporate Governance Seminar	Institute of Corporate Directors
Senior Officers	September 1-3, 2014	Decision Process International Strategy Workshop	Decision Process International, Singapore

[3] Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

All Directors	September 25, 2014	Credit Suisse Economic Briefing	Company-sponsored
All Directors and Key Officers	September 25, 2014	Reputation Survey Results Presentation	Company-sponsored
All Directors and Key Officers	**March 25, 2015**	**Corporate Governance Seminar**	**Institute of Corporate Directors**

B. CODE OF BUSINESS CONDUCT & ETHICS

1) Discuss briefly the company's policies on the following business conduct or ethics affecting directors, senior management and employees:

The Company's Code of Ethics and Business Conduct is applicable to all directors, officers and all members of the organization.

Business Conduct & Ethics	Directors	Senior Management	Employees
(a) Conflict of Interest	All employees, officers and directors have an obligation to act in the best interests of the Company. They should avoid any activity, interest, or association outside the Company that could impair their ability to perform their work objectively and effectively or that could give the appearance of interfering with their responsibilities on behalf of the Company or its clients. It is not possible to describe every situation in which a conflict of interest may arise. The following, however, are examples of situations that may raise a conflict of interest (unless permitted by law and Company policies): 1. Accepting special favors as a result of a member's position with the Company from any person or organization with which the Company has a current or potential business relationship 2. Competing with the Company for the	All employees, officers and directors have an obligation to act in the best interests of the Company. They should avoid any activity, interest, or association outside the Company that could impair their ability to perform their work objectively and effectively or that could give the appearance of interfering with their responsibilities on behalf of the Company or its clients. It is not possible to describe every situation in which a conflict of interest may arise. The following, however, are examples of situations that may raise a conflict of interest (unless permitted by law and Company policies): 1. Accepting special favors as a result of a member's position with the Company from any person or organization with which the Company has a current or potential business relationship 2. Competing with the Company for the	All employees, officers and directors have an obligation to act in the best interests of the Company. They should avoid any activity, interest, or association outside the Company that could impair their ability to perform their work objectively and effectively or that could give the appearance of interfering with their responsibilities on behalf of the Company or its clients. It is not possible to describe every situation in which a conflict of interest may arise. The following, however, are examples of situations that may raise a conflict of interest (unless permitted by law and Company policies): 1. Accepting special favors as a result of a member's position with the Company from any person or organization with which the Company has a current or potential business relationship 2. Competing with the Company for the

	purchase or sale of property, services, or other interests. 3. Acquiring an interest in a transaction involving the Company, a customer, or supplier (not including routine investments in publicly traded companies). 4. Receiving a personal loan or guarantee of an obligation as a result of a member's position with the Company. 5. Working for a competitor while an employee of the Company. 6. Directing business to a supplier owned or managed by, or which employs, a relative or friend. Directors should also disclose any actual or potential conflicts of interest to the Chairman of the Board and the Compliance Officer, who shall determine the appropriate resolution. All directors must recuse themselves from any Board discussion or decision affecting their personal, business or professional interests.	purchase or sale of property, services, or other interests. 3. Acquiring an interest in a transaction involving the Company, a customer, or supplier (not including routine investments in publicly traded companies). 4. Receiving a personal loan or guarantee of an obligation as a result of a member's position with the Company. 5. Working for a competitor while an employee of the Company. 6. Directing business to a supplier owned or managed by, or which employs, a relative or friend. Employees and officers should promptly report any potential relationships, actions or transactions (including those involving family members) that reasonably could be expected to give rise to a conflict of interest to Human Resources Department. Involvement in certain outside activities may also require the prior approval of the Company (particularly if you are a licensed person). You should consult policies applicable to your business unit or Division for specific reporting and approval procedures.	purchase or sale of property, services, or other interests. 3. Acquiring an interest in a transaction involving the Company, a customer, or supplier (not including routine investments in publicly traded companies). 4. Receiving a personal loan or guarantee of an obligation as a result of a member's position with the Company. 5. Working for a competitor while an employee of the Company. 6. Directing business to a supplier owned or managed by, or which employs, a relative or friend. Employees and officers should promptly report any potential relationships, actions or transactions (including those involving family members) that reasonably could be expected to give rise to a conflict of interest to Human Resources Department. Involvement in certain outside activities may also require the prior approval of the Company (particularly if you are a licensed person). You should consult policies applicable to your business unit or Division for specific reporting and approval procedures.
(b) Conduct of Business and Fair Dealings	The Company seeks to outperform its competition fairly and honestly through superior performance. Every employee, officer	The Company seeks to outperform its competition fairly and honestly through superior performance. Every employee, officer	The Company seeks to outperform its competition fairly and honestly through superior performance. Every employee, officer

	and director must therefore always keep the best interests of the Company's clients paramount and endeavor to deal fairly with suppliers, competitors, the public and one another. No one should take unfair advantage of anyone through manipulation, abuse of privileged information, misrepresentation of facts or any other unfair dealing practice.	and director must therefore always keep the best interests of the Company's clients paramount and endeavor to deal fairly with suppliers, competitors, the public and one another. No one should take unfair advantage of anyone through manipulation, abuse of privileged information, misrepresentation of facts or any other unfair dealing practice.	and director must therefore always keep the best interests of the Company's clients paramount and endeavor to deal fairly with suppliers, competitors, the public and one another. No one should take unfair advantage of anyone through manipulation, abuse of privileged information, misrepresentation of facts or any other unfair dealing practice.
(c) Receipt of gifts from third parties	Gifts and entertainment may create an inappropriate expectation or feeling of obligation. An employee and members of his family may not accept gifts or special favors (other than an occasional non-cash gift of nominal value) from any person or organization with which the Company has a current or potential business relationship. Further, business gifts to, and entertainment of, non-government employees in connection with business discussions or the development of business relationships are only appropriate if they are in the ordinary course of business and their value is modest. If a member has any questions about the appropriateness of a business gift or expense, he should contact the Human Resources Department.	Gifts and entertainment may create an inappropriate expectation or feeling of obligation. You and members of his family may not accept gifts or special favors (other than an occasional non-cash gift of nominal value) from any person or organization with which the Company has a current or potential business relationship. Further, business gifts to, and entertainment of, non-government employees in connection with business discussions or the development of business relationships are only appropriate if they are in the ordinary course of business and their value is modest. If a member has any questions about the appropriateness of a business gift or expense, he should contact the Human Resources Department.	Gifts and entertainment may create an inappropriate expectation or feeling of obligation. You and members of his family may not accept gifts or special favors (other than an occasional non-cash gift of nominal value) from any person or organization with which the Company has a current or potential business relationship. Further, business gifts to, and entertainment of, non-government employees in connection with business discussions or the development of business relationships are only appropriate if they are in the ordinary course of business and their value is modest. If a member has any questions about the appropriateness of a business gift or expense, he should contact the Human Resources Department.
(d) Compliance with Laws & Regulations	As a publicly-listed holding company, AEV is subject to numerous laws and regulations. It is every member’s responsibility to know and understand the laws applicable to his job responsibilities and to	As a publicly-listed holding company, AEV is subject to numerous laws and regulations. It is every member’s responsibility to know and understand the laws applicable to his job responsibilities and to	As a publicly-listed holding company, AEV is subject to numerous laws and regulations. It is every member’s responsibility to know and understand the laws applicable to his job responsibilities and to

	comply with both the letter and the spirit of these laws. This requires that every member avoid not only actual misconduct but also even the appearance of impropriety. Every member should assume that any action he takes ultimately could be publicized, and consider how he and the Company would be perceived. When in doubt, stop and reflect. Ask questions. The Company strongly encourages every member to discuss freely any concerns. In particular, if a member is unclear about the applicability of the law to his job responsibilities, or if he is unsure about the legality or integrity of a particular course of action, he should seek the advice of his supervisor or the Legal or Human Resources Department. A member should never assume that an activity is acceptable merely because others in the industry engage in it. A member is encouraged to trust his instincts—if something does not appear to be lawful or ethical, it may not be.	comply with both the letter and the spirit of these laws. This requires that every member avoid not only actual misconduct but also even the appearance of impropriety. Every member should assume that any action he takes ultimately could be publicized, and consider how he and the Company would be perceived. When in doubt, stop and reflect. Ask questions. The Company strongly encourages every member to discuss freely any concerns. In particular, if a member is unclear about the applicability of the law to his job responsibilities, or if he is unsure about the legality or integrity of a particular course of action, he should seek the advice of his supervisor or the Legal or Human Resources Department. A member should never assume that an activity is acceptable merely because others in the industry engage in it. A member is encouraged to trust his instincts—if something does not appear to be lawful or ethical, it may not be.	comply with both the letter and the spirit of these laws. This requires that every member avoid not only actual misconduct but also even the appearance of impropriety. Every member should assume that any action he takes ultimately could be publicized, and consider how he and the Company would be perceived. When in doubt, stop and reflect. Ask questions. The Company strongly encourages every member to discuss freely any concerns. In particular, if a member is unclear about the applicability of the law to his job responsibilities, or if he is unsure about the legality or integrity of a particular course of action, he should seek the advice of his supervisor or the Legal or Human Resources Department. A member should never assume that an activity is acceptable merely because others in the industry engage in it. A member is encouraged to trust his instincts—if something does not appear to be lawful or ethical, it may not be.
(e) Respect for Trade Secrets/Use of Non-public Information	Proprietary and confidential information generated and gathered in the business is a valuable Company asset. Protecting this information is critical to the Company's reputation for integrity and its relationship with its clients, and ensures compliance with the complex regulations governing the financial services industry.	Proprietary and confidential information generated and gathered in the business is a valuable Company asset. Protecting this information is critical to the Company's reputation for integrity and its relationship with its clients, and ensures compliance with the complex regulations governing the financial services industry.	Proprietary and confidential information generated and gathered in the business is a valuable Company asset. Protecting this information is critical to the Company's reputation for integrity and its relationship with its clients, and ensures compliance with the complex regulations governing the financial services industry.

	Accordingly, every member should maintain all proprietary and confidential information in strict confidence, except when disclosure is authorized by the Company or required by law. "Proprietary information" includes all non-public information that might be useful to competitors or that could be harmful to the Company or its customers if disclosed. It includes, for example, intellectual property, business plans, personal employee information and unpublished financial information. You should also respect the property rights of other companies. "Confidential information" is information that is not generally known to the public about the Company, its clients, or other parties with whom the Company has a relationship and that have an expectation of confidentiality. Unauthorized use or distribution of proprietary or confidential information violates Company policy and could be illegal. Such use or distribution could result in negative consequences for both the Company and the individuals involved, including potential legal and disciplinary actions. Every member’s obligation to protect the Company's proprietary and confidential information continues even after he leaves the Company, and he must return all such	Accordingly, every member should maintain all proprietary and confidential information in strict confidence, except when disclosure is authorized by the Company or required by law. "Proprietary information" includes all non-public information that might be useful to competitors or that could be harmful to the Company or its customers if disclosed. It includes, for example, intellectual property, business plans, personal employee information and unpublished financial information. You should also respect the property rights of other companies. "Confidential information" is information that is not generally known to the public about the Company, its clients, or other parties with whom the Company has a relationship and that have an expectation of confidentiality. Unauthorized use or distribution of proprietary or confidential information violates Company policy and could be illegal. Such use or distribution could result in negative consequences for both the Company and the individuals involved, including potential legal and disciplinary actions. Every member’s obligation to protect the Company's proprietary and confidential information continues even after he leaves the Company, and he must return all such	Accordingly, every member should maintain all proprietary and confidential information in strict confidence, except when disclosure is authorized by the Company or required by law. "Proprietary information" includes all non-public information that might be useful to competitors or that could be harmful to the Company or its customers if disclosed. It includes, for example, intellectual property, business plans, personal employee information and unpublished financial information. You should also respect the property rights of other companies. "Confidential information" is information that is not generally known to the public about the Company, its clients, or other parties with whom the Company has a relationship and that have an expectation of confidentiality. Unauthorized use or distribution of proprietary or confidential information violates Company policy and could be illegal. Such use or distribution could result in negative consequences for both the Company and the individuals involved, including potential legal and disciplinary actions. Every member’s obligation to protect the Company's proprietary and confidential information continues even after he leaves the Company, and he must return all such

	information in his possession upon his departure.	information in his possession upon his departure.	information in his possession upon his departure.
(f) Use of Company Funds, Assets and Information	Company policies regulate use of the Company's systems, including telephones, computer networks, electronic mail and remote access capabilities. Generally, every member should use the Company's systems and property only for legitimate Company business. Under no conditions may a member use the Company's systems to view, store, or send unlawful, offensive or other inappropriate materials. Every member may obtain copies of the Company's policies from the Human Resources Department. In addition, protecting Company assets against loss, theft, waste, or other misuse is the responsibility of every employee, officer and director. Any suspected misuse should be reported to his supervisor or the Legal, Administrative, or Human Resources Department (if appropriate).	Company policies regulate use of the Company's systems, including telephones, computer networks, electronic mail and remote access capabilities. Generally, every member should use the Company's systems and property only for legitimate Company business. Under no conditions may a member use the Company's systems to view, store, or send unlawful, offensive or other inappropriate materials. Every member may obtain copies of the Company's policies from the Human Resources Department. In addition, protecting Company assets against loss, theft, waste, or other misuse is the responsibility of every employee, officer and director. Any suspected misuse should be reported to his supervisor or the Legal, Administrative, or Human Resources Department (if appropriate).	Company policies regulate use of the Company's systems, including telephones, computer networks, electronic mail and remote access capabilities. Generally, every member should use the Company's systems and property only for legitimate Company business. Under no conditions may a member use the Company's systems to view, store, or send unlawful, offensive or other inappropriate materials. Every member may obtain copies of the Company's policies from the Human Resources Department. In addition, protecting Company assets against loss, theft, waste, or other misuse is the responsibility of every employee, officer and director. Any suspected misuse should be reported to his supervisor or the Legal, Administrative, or Human Resources Department (if appropriate).
(g) Employment & Labor Laws & Policies	The Company is committed to conducting its business in compliance with all applicable environmental and workplace health and safety laws and regulations. The Company strives to provide a safe and healthy work environment for all members and to avoid adverse impact and injury to the environment and communities in which it conducts its business.	The Company is committed to conducting its business in compliance with all applicable environmental and workplace health and safety laws and regulations. The Company strives to provide a safe and healthy work environment for all members and to avoid adverse impact and injury to the environment and communities in which it conducts its business.	The Company is committed to conducting its business in compliance with all applicable environmental and workplace health and safety laws and regulations. The Company strives to provide a safe and healthy work environment for all members and to avoid adverse impact and injury to the environment and communities in which it conducts its business.

	Achieving this goal is the responsibility of all employees, officers, and directors.	Achieving this goal is the responsibility of all employees, officers, and directors.	Achieving this goal is the responsibility of all employees, officers, and directors.
(h) Disciplinary action	To strictly observe and implement the provisions of this manual, the following penalties shall be imposed, after notice and hearing, on AEV's directors, officers, staff, subsidiaries and affiliates and their respective directors, officers and staff in case of violation of any of the provision of this Manual: 1. In the case of a first violation, the subject person shall be reprimanded. 2. Suspension from office shall be imposed in the case of a second violation. The duration of the suspension shall depend on the gravity of the violation. 3. For a third violation, the maximum penalty of removal from office shall be imposed.	If you are an employee or officer, this Code forms part of the terms and conditions of your employment at the Company. Employees, officers and directors are expected to cooperate in internal investigations of allegations of violations of the Code, and actual violations may subject you to the full range of disciplinary action by the Company. The Company may also report certain activities to its regulators, which could give rise to regulatory or criminal investigations. The penalties for regulatory and criminal violations may include significant fines, permanent bar from employment in the securities industry and, for criminal violations, imprisonment.	If you are an employee or officer, this Code forms part of the terms and conditions of your employment at the Company. Employees, officers and directors are expected to cooperate in internal investigations of allegations of violations of the Code, and actual violations may subject you to the full range of disciplinary action by the Company. The Company may also report certain activities to its regulators, which could give rise to regulatory or criminal investigations. The penalties for regulatory and criminal violations may include significant fines, permanent bar from employment in the securities industry and, for criminal violations, imprisonment.
(i) Whistle Blower	All directors, officers and employees are the Company's first line of defense against unethical business practices and violations of the law. If any member observes or becomes aware of any conduct that he believes is unethical or unlawful—whether by another employee, a consultant, supplier, client, or other third party— he must communicate that information to his direct supervisor or, if appropriate or necessary, senior management. They will notify and consult with Legal, Compliance, or Corporate Security, and take	All directors, officers and employees are the Company's first line of defense against unethical business practices and violations of the law. If any member observes or becomes aware of any conduct that he believes is unethical or unlawful—whether by another employee, a consultant, supplier, client, or other third party— he must communicate that information to his direct supervisor or, if appropriate or necessary, senior management. They will notify and consult with Legal, Compliance, or Corporate Security, and take	All directors, officers and employees are the Company's first line of defense against unethical business practices and violations of the law. If any member observes or becomes aware of any conduct that he believes is unethical or unlawful—whether by another employee, a consultant, supplier, client, or other third party— he must communicate that information to his direct supervisor or, if appropriate or necessary, senior management. They will notify and consult with Legal, Compliance, or Corporate Security, and take

	appropriate steps to stop the misconduct and prevent its recurrence. If appropriate or necessary, the member may also raise his concerns directly with Law, Compliance or Corporate Security. Supervisors have an additional responsibility to take appropriate steps to stop any misconduct that they are aware of, and to prevent its recurrence. Supervisors that do not take appropriate action may be held responsible for failure to supervise properly. Members who prefer to report an allegation anonymously must provide enough information about the incident or situation to allow the Company to investigate properly. AEV does not tolerate any kind of retaliation for reports or complaints regarding the misconduct of others that were made in good faith. Open communication of issues and concerns by all employees without fear of retribution or retaliation is vital to the continued success of the Company. Unless appropriate Company management learns of a problem, the Company cannot deal with it. Concealing improper conduct often compounds the problem and may delay or hamper responses that could prevent or mitigate actual damage.	appropriate steps to stop the misconduct and prevent its recurrence. If appropriate or necessary, the member may also raise his concerns directly with Law, Compliance or Corporate Security. Supervisors have an additional responsibility to take appropriate steps to stop any misconduct that they are aware of, and to prevent its recurrence. Supervisors that do not take appropriate action may be held responsible for failure to supervise properly. Members who prefer to report an allegation anonymously must provide enough information about the incident or situation to allow the Company to investigate properly. AEV does not tolerate any kind of retaliation for reports or complaints regarding the misconduct of others that were made in good faith. Open communication of issues and concerns by all employees without fear of retribution or retaliation is vital to the continued success of the Company. Unless appropriate Company management learns of a problem, the Company cannot deal with it. Concealing improper conduct often compounds the problem and may delay or hamper responses that could prevent or mitigate actual damage.	appropriate steps to stop the misconduct and prevent its recurrence. If appropriate or necessary, the member may also raise his concerns directly with Law, Compliance or Corporate Security. Supervisors have an additional responsibility to take appropriate steps to stop any misconduct that they are aware of, and to prevent its recurrence. Supervisors that do not take appropriate action may be held responsible for failure to supervise properly. Members who prefer to report an allegation anonymously must provide enough information about the incident or situation to allow the Company to investigate properly. AEV does not tolerate any kind of retaliation for reports or complaints regarding the misconduct of others that were made in good faith. Open communication of issues and concerns by all employees without fear of retribution or retaliation is vital to the continued success of the Company. Unless appropriate Company management learns of a problem, the Company cannot deal with it. Concealing improper conduct often compounds the problem and may delay or hamper responses that could prevent or mitigate actual damage.
(j) Conflict Resolution	The Company has in place a policy of "Talk to the CEO" through which any	The Company has in place a policy of "Talk to the CEO" through which any	The Company has in place a policy of "Talk to the CEO" through which any

	team member or team leader can e-mail the CEO for any matter including whistle-blowing agenda items.	team member or team leader can e-mail the CEO for any matter including whistle-blowing agenda items.	team member or team leader can e-mail the CEO for any matter including whistle-blowing agenda items.

2) Dissemination of Code

Has the code of ethics or conduct been disseminated to all directors, senior management and employees?

Every new employee is required to undergo a New Hires Orientation Program (NHO) where the Company's Code of Ethics and Business Conduct is extensively discussed. **The Company's Code of Ethics and Business Conduct and Manual of Corporate Governance are easily accessible from the Company's website.** Hard copies of the same are also made available by the Company prior to the onboarding of directors, senior management and employees.

In December 2013, the Office of the Compliance Officer launched its online Corporate Governance E-learning Course for all employees. This mandatory course is taken by all employees through a web-based portal and application with a standard test, the results of which are reported to Management and the Board Corporate Governance Committee. This mandatory online seminar is conducted to impress upon or refresh all employees' awareness and understanding of the Manual and the Code and the underlying principles of corporate governance and ethical behavior and conduct for the Company. **The Office of the Compliance Officer tracks the compliance of team leaders and team members with the Corporate Governance E-learning Course, and regularly reports the same to the Board Corporate Governance Committee.**

The Company likewise conducts a yearly seminar for all employees, referred to as Aboitiz Better Ways, where the salient provisions of the Code of Ethics **and Business Conduct** and other company policies are discussed. **The Aboitiz Better Ways was conducted last July 23, 2015 at the principal office of the Company.**

(Updated as of December 31, 2015)

3) Discuss how the company implements and monitors compliance with the code of ethics or conduct.

The Company recognizes that the employees are the Company's first line of defense against unethical business practices and violations of the law. The Company's Code of Ethics and Business Conduct provide the following:

> "If you observe or become aware of any conduct that you believe is unethical or unlawful—whether by another employee, a consultant, supplier, client, or other third party—you must communicate that information to your direct supervisor or, if appropriate or necessary, senior management. They will notify and consult with Law, Compliance, or Corporate Security, and take appropriate steps to stop the misconduct and prevent its recurrence. If appropriate or necessary, you may also raise your concerns directly with Law, Compliance or Corporate Security.
>
> If you are a supervisor, you have an additional responsibility to take appropriate steps to stop any misconduct that you are aware of, and to prevent its recurrence. Supervisors that do not take appropriate action may be held responsible for failure to supervise properly.
>
> If you prefer to report an allegation anonymously, you must provide enough information about the incident or situation to allow the Company to investigate properly.
>
> AEV will not tolerate any kind of retaliation for reports or complaints regarding the misconduct of others that were made in good faith. Open communication of issues and concerns by all employees without fear of retribution or retaliation is vital to the continued success of the Company. Unless appropriate Company management learns of a problem, the Company cannot deal with it. Concealing improper conduct often compounds the problem and may delay or hamper responses that could prevent or mitigate actual damage."

To enforce the above provision, the Company has a Lex Committee (LexCom) composed of the Chief Compliance Officer, Chief Finance Officer, Chief Human Resources Officer, and members of the Legal and

Corporate Services Team. **In a special meeting of the Board of Directors last December 18, 2015, the Board of Directors reviewed and approved the new organizational structure of the Company which created the positions of chief operating officer and chief corporate officer. The Chief Corporate Services Officer now has supervisory function over the following teams: legal, corporate governance and compliance and corporate social responsibility. The Chief Corporate Services Officer now attends and participates in the LexCom meetings.**

The LexCom initiates the formal adoption of the Company's Code and proper conduct that guides individual behavior and decision-making, clarifies responsibilities, and informs other stakeholders on the conduct expected from company personnel. The LexCom sets the policies and procedures for curbing and penalizing company or employee involvement in unethical behavior, such as offering, paying and receiving inappropriate rewards. The Office of the Chief Legal Officer is responsible for ensuring compliance by the Company, subsidiaries and affiliates, with all relevant laws, rules and regulations, as well as all regulatory requirements, including the protection and respect for intellectual property rights. The LexCom is responsible for the comprehensive legal compliance program of the Company. As part of its program, the LexCom and the Office of the Chief Legal Officer oversee the appropriate training and awareness initiatives to facilitate understanding, acceptance and compliance with the said issuances by the employees and the business units (BUs).

In addition to the foregoing, In case of violation of company policies, team leaders of erring members concerned is empowered and obligated to report the violation to the Human Resources Department for proper action.

On February 27, 2014, the Company also formally adopted its Whistleblowing Policy to encourage all employees to report any illegal or unethical practices in the Company. To provide employees several avenues to report illegal or unethical activities, the Policy allows reporting to any of the following: Chairman of the Board of Directors, Chief Executive Officer, Direct Supervisor, Human Resources Department, and Legal Department. When deemed necessary, a fact-finding team will be created to investigate any reported matter.

In its meeting last December 2, 2015, the Board Corporate Governance Committee reviewed the Company's Code of Ethics and Business Conduct, and based on the review, mandated the Compliance Officer to propose updates and amendments on the Code to align with existing practices and policies of the Company and to keep up with best corporate governance practices. The Committee expects to review and approve the Company's revised Code of Ethics and Business Conduct by first quarter of 2016.

(Updated as of December 31, 2015)

4) Related Party Transactions

(a) Policies and Procedures

Describe the company's policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.

Related Party Transactions	Policies and Procedures
(1) Parent Company	The Company fully records, monitors, and discloses all related-party transactions regardless of amounts in compliance with existing Philippine financial accounting standards. The nature and extent of transactions with affiliated and related parties are disclosed annually to shareholders through the Company's Information Statement, Annual Report and Audited Financial Statements. The Company and its subsidiaries enter into related party transactions consisting of payment of shareholder advances,

	professional fees and rental fees. These are made on an arm's length basis and at current market prices at the time of the transactions. Service and management contracts are also entered into with subsidiaries and affiliates for corporate center services, such as human resources support services, internal audit services, legal and corporate compliance services, treasury and corporate finance services, technology infrastructure services. These services are obtained from the Company to enable the Aboitiz group of companies to realize cost synergies. The Company maintains a pool of highly qualified professionals with in-depth business expertise specific to the businesses of the AEV organization. Transactions are priced on a cost recovery basis. In addition, transaction costs are always benchmarked to third party rates to ensure competitive pricing. Service Level Commitments and Agreements are executed to ensure quality and timeliness of services.
(2) Joint Ventures	The Company fully records, monitors, and discloses all related-party transactions regardless of amounts in compliance with existing Philippine financial accounting standards. The nature and extent of transactions with affiliated and related parties are disclosed annually to shareholders through the Company's Information Statement, Annual Report and Audited Financial Statements. The Company and its subsidiaries enter into related party transactions consisting of payment of shareholder advances, professional fees and rental fees. These are made on an arm's length basis and at current market prices at the time of the transactions. Service and management contracts are also entered into with subsidiaries and affiliates for corporate center services, such as human resources support services, internal audit services, legal and corporate compliance services, treasury and corporate finance services, technology infrastructure services. These services are obtained from the Company to enable the Aboitiz group of companies to realize cost synergies. The Company maintains a pool of highly qualified professionals with in-depth business expertise specific to the businesses of the AEV organization. Transactions are priced on a cost recovery basis. In addition, transaction costs are always benchmarked to third party rates to ensure competitive pricing. Service Level Commitments and Agreements are executed to ensure quality and timeliness of services.
(3) Subsidiaries	The Company fully records, monitors, and discloses all related-party transactions regardless of amounts in compliance with existing Philippine financial accounting standards. The nature and extent of transactions with affiliated and related parties are disclosed annually to shareholders through the Company's Information Statement, Annual Report and Audited Financial Statements. The Company and its subsidiaries enter into related party transactions consisting of payment of shareholder advances, professional fees and rental fees. These are made on an arm's length basis and at current market prices at the time of the transactions. Service and management contracts are also entered into with subsidiaries and affiliates for corporate center services, such as human resources support services, internal audit services, legal and corporate compliance

	services, treasury and corporate finance services, technology infrastructure services. These services are obtained from the Company to enable the Aboitiz group of companies to realize cost synergies. The Company maintains a pool of highly qualified professionals with in-depth business expertise specific to the businesses of the AEV organization. Transactions are priced on a cost recovery basis. In addition, transaction costs are always benchmarked to third party rates to ensure competitive pricing. Service Level Commitments and Agreements are executed to ensure quality and timeliness of services.
(4) Entities Under Common Control	The Company fully records, monitors, and discloses all related-party transactions regardless of amounts in compliance with existing Philippine financial accounting standards. The nature and extent of transactions with affiliated and related parties are disclosed annually to shareholders through the Company's Information Statement, Annual Report and Audited Financial Statements. The Company and its subsidiaries enter into related party transactions consisting of payment of shareholder advances, professional fees and rental fees. These are made on an arm's length basis and at current market prices at the time of the transactions. Service and management contracts are also entered into with subsidiaries and affiliates for corporate center services, such as human resources support services, internal audit services, legal and corporate compliance services, treasury and corporate finance services, technology infrastructure services. These services are obtained from the Company to enable the Aboitiz group of companies to realize cost synergies. The Company maintains a pool of highly qualified professionals with in-depth business expertise specific to the businesses of the AEV organization. Transactions are priced on a cost recovery basis. In addition, transaction costs are always benchmarked to third party rates to ensure competitive pricing. Service Level Commitments and Agreements are executed to ensure quality and timeliness of services.
(5) Substantial Stockholders	The Company fully records, monitors, and discloses all related-party transactions regardless of amounts in compliance with existing Philippine financial accounting standards. The nature and extent of transactions with affiliated and related parties are disclosed annually to shareholders through the Company's Information Statement, Annual Report and Audited Financial Statements. The Company and its subsidiaries enter into related party transactions consisting of payment of shareholder advances, professional fees and rental fees. These are made on an arm's length basis and at current market prices at the time of the transactions. Service and management contracts are also entered into with subsidiaries and affiliates for corporate center services, such as human resources support services, internal audit services, legal and corporate compliance services, treasury and corporate finance services, technology infrastructure services. These services are obtained from the Company to enable the Aboitiz group of companies to realize cost synergies. The Company maintains a pool of highly qualified professionals with in-depth business expertise specific to the businesses of the AEV organization.

	Transactions are priced on a cost recovery basis. In addition, transaction costs are always benchmarked to third party rates to ensure competitive pricing. Service Level Commitments and Agreements are executed to ensure quality and timeliness of services.
(6) Officers including spouse/children/siblings/parents	Directors shall disclose to the Board, through the Company's Corporate Secretary, details of all their other directorships and any shareholdings owned by them or members of their family. Any changes to these notifications must be communicated promptly to the Board of Directors through the Company's Corporate Secretary. It is the responsibility of each director and senior manager to promptly notify the Board, through the Company's Corporate Secretary, of any proposed related-party transaction as soon as they become aware of it. It is the responsibility of a director or senior manager who is involved in a proposed related-party transaction to inform the Board, through the Company's Corporate Secretary, and obtain approval prior to entering into the transaction. Conflicted board members shall not participate in discussions on transactions in which they are a conflicted party and shall abstain from voting on such issues. The Board shall decide whether or not to approve the related party transaction involving a director in the absence of that director. In addition to the rules above, the Aboitiz Family Constitution provides policy rules for handling of corporate interest vis-à-vis the stakeholders of the Company. The Rule on Conflict of Interest applies to this group.
(7) Directors including spouse/children/siblings/parents	Directors shall disclose to the Board, through the Company's Corporate Secretary, details of all their other directorships and any shareholdings owned by them or members of their family. Any changes to these notifications must be communicated promptly to the Board of Directors through the Company's Corporate Secretary. It is the responsibility of each director and senior manager to promptly notify the Board, through the Company's Corporate Secretary, of any proposed related-party transaction as soon as they become aware of it. It is the responsibility of a director or senior manager who is involved in a proposed related-party transaction to inform the Board, through the Company's Corporate Secretary, and obtain approval prior to entering into the transaction. Conflicted board members shall not participate in discussions on transactions in which they are a conflicted party and shall abstain from voting on such issues. The Board shall decide whether or not to approve the related party transaction involving a director in the absence of that director. In addition to the rules above, the Aboitiz Family Constitution

	provides policy rules for handling of corporate interest vis-à-vis the stakeholders of the Company. The Rule on Conflict of Interest applies to this group.
(8) Interlocking director relationship of Board of Directors	The rule on interlocking director relationship is not applicable to directors elected to companies within the conglomerate of business. If outside the conglomerate, the policy is for full disclosure. The Company complies with the rule on approval of contracts between corporations with interlocking directors, as mandated by Section 33 of the Corporation Code.

Source: 2014 Full Corporate Governance Report

(b) Conflict of Interest

(i) Directors/Officers and 5% or more Shareholders

Identify any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.

	Details of Conflict of Interest (Actual or Probable)
Name of Director/s	None
Name of Officer/s	None
Name of Significant Shareholders	None

(ii) Mechanism

Describe the mechanism laid down to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors, officers and significant shareholders.

	Directors/Officers/Significant Shareholders
Company	As provided in the Company's Code of Ethics and Business Conduct, employees and officers should promptly report any potential relationships, actions or transactions (including those involving family members) that reasonably could be expected to give rise to a conflict of interest to Human Resources Department. Involvement in certain outside activities may also require the prior approval of the Company (particularly if you are a licensed person). You should consult policies applicable to your business unit or Division for specific reporting and approval procedures. Directors should also disclose any actual or potential conflicts of interest to the Chairman of the Board and the Compliance Officer, who shall determine the appropriate resolution. All directors must recuse themselves from any Board discussion or decision affecting their personal, business or professional interests.
Group	As provided in the Company's Code of Ethics and Business Conduct, employees and officers should promptly report any potential relationships, actions or transactions (including those involving family members) that reasonably could be expected to give rise to a conflict of interest to Human Resources Department. Involvement in certain outside activities may also require the prior approval of the Company (particularly if you are a licensed person). You should consult policies applicable to your business unit or Division for specific reporting and approval procedures.

	Directors should also disclose any actual or potential conflicts of interest to the Chairman of the Board and the Compliance Officer, who shall determine the appropriate resolution. All directors must recuse themselves from any Board discussion or decision affecting their personal, business or professional interests.

5) Family, Commercial and Contractual Relations

(a) Indicate, if applicable, any relation of a family,[4] commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

The holders of significant equity in the Company, or stockholders with shareholdings of 5% or more of the total outstanding capital stock, are Aboitiz & Company, Inc., Ramon Aboitiz Foundation, Inc., PCD Nominee Corporation (Filipino) and PCD Nominee Corporation (Foreign).

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
Aboitiz & Company, Inc.	Investor- investee	**49.25% interest**
PCD Nominee Corp (Filipino)	Investor- investee	**11.33% interest**
PCD Nominee Corp (Foreign)	Investor- investee	**9.79% interest**
Ramon Aboitiz Foundation, Inc.	Investor- investee	**7.64% interest**

(Updated as of December 31, 2015)

(b) Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders of significant equity (5% or more) and the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description
Aboitiz & Company, Inc.	Investor- investee	Provides service for management of Retirement Plan.

(c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company:

Name of Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction
None		

6) Alternative Dispute Resolution

Describe the alternative dispute resolution system adopted by the company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities.

	Alternative Dispute Resolution System

[4] Family relationship up to the fourth civil degree either by consanguinity or affinity.

Corporation & Stockholders	The Company has no shareholder disputes. The Investor Relations Office is the go-to person for any issues of shareholders. The LexCom also reviews or recommends the appropriate dispute resolution system for conflicts and differences with counterparties, particularly with shareholders and other key stakeholders to ensure that they are settled in a fair and expeditious manner from the application of a law, rule or regulation especially when it refers to a corporate governance issue. The Office of the Chief Legal Officer explains the rationale for any such action as well present the specific steps being taken to finally comply with the applicable law, rule or regulation.
Corporation & Third Parties	The Company is currently reviewing contracts providing for ADR.
Corporation & Regulatory Authorities	Regulatory agencies provide the mechanisms for dispute resolution for the Company's business units.

C. BOARD MEETINGS & ATTENDANCE

1) Are Board of Directors' meetings scheduled before or at the beginning of the year?

The Company's Board meetings are scheduled during the last Board meeting of the previous year. The **final** schedule is disseminated at the beginning of the year to all members of the Board.

2) Attendance of Directors

Board	Name	Date of Election	No. of Meetings Held during the year*	No. of Meetings Attended	%
Chairman	Jon Ramon Aboitiz	May 18, 2015	9	9	100%
Member	Erramon I. Aboitiz	May 18, 2015	9	9	100%
Member	Roberto E. Aboitiz	May 18, 2015	9	9	100%
Member	Enrique M. Aboitiz	May 18, 2015	9	7	82%
Member	Justo A. Ortiz	May 18, 2015	9	9	100%
Member	Antonio R. Moraza	May 18, 2015	9	8	91%
Independent	Jose C. Vitug	May 18, 2015	9	9	100%
Independent	Stephen T. CuUnjieng	May 18, 2015	9	9	100%
Independent	Raphael P.M. Lotilla	May 18, 2015	9	9	100%

For the period January- December 2015

3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times?

As provided in the Company's Board Protocol, the Company's Independent Directors meet at least once a year for an Executive Session. The Independent Directors may also meet periodically in an executive session with no other Director or management present except for the Chairman of the Board Corporate Governance Committee who shall call for and preside the meeting. Topics for discussion during these executive sessions shall be determined by the Independent Directors, but actions of the Board generally should be taken separately during Board meetings. **The Independent Directors met with the non-executive directors,**

including the Chairman of the Board Corporate Governance Committee, at Taguig City on August 27, 2014 for their informal discussion of issues.

(Updated as of December 31, 2015)

4) Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain.

In accordance with Section II Article 3 of the Company's By-laws, a majority of the members of the Board shall constitute a quorum. This same requirement is in accordance with Section 25 of the Corporation Code.

5) Access to Information

(a) How many days in advance are board papers[5] for board of directors meetings provided to the board?

In accordance with the Company's Board Protocol Process Flow, the board materials of directors are provided to the Board at least five (5) calendar days prior to the board meeting.

The Office of the Board Secretariat recently adopted the use of Diligent Boardbooks technology and platform to assist the Board in its work. The Boardbooks is a brand portal that looks and functions like a book of all Board materials in an IPAD or laptop. The application is used by the Board of Directors and its Committees during their actual meetings.

(b) Do board members have independent access to Management and the Corporate Secretary?

Members of the Board have access to Management and the Office of the Corporate Secretary. It is every Director's duty to keep abreast of the recent developments in the Company and the Company encourages the members of the Board to obtain the necessary information from various sources, which include the Management and the Corporate Secretary.

(c) State the policy of the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc?

(1) In accordance with Article III, Section 3 of the Company's By-laws, the Corporate Secretary shall keep the minutes of all the meetings of the stockholders and the Board of Directors. He shall have charge of the corporate seal, the stock certificate books and such other books and papers of the Corporation. He shall countersign with the President the certificate of stock issued as well as such other instruments which require his signature. He shall attend to the giving and serving of all notices required by the corporation law or by these By-laws. He shall also perform such other duties as are incident to his office and as the Board of Directors may from time to time direct.

(2) Also, the Company's Manual of Corporate Governance provides that the Corporate Secretary:

a) Gathers and analyzes all documents, records and other information essential to the conduct of his duties and responsibilities to AEV.
b) Is ultimately responsible for compliance with governmental reportorial requirements with the SEC, and with the Philippine Stock Exchange, among others
c) As to Board meetings, secures a complete schedule thereof at least for the current year and puts the Board on notice within a reasonable period before every meeting. He also prepares and issues the agenda in consultation with senior management and ensures that the directors have before them accurate

[5] Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

information that will enable them to arrive at intelligent decisions on matters that require their approval.

d) Assists the Board in making business judgments in good faith and in the performance of their responsibilities and obligations.

e) Attends all Board meetings and personally prepares the minutes of such meetings.

f) Responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the Board and its committees, as well as the other official records of AEV;

g) Ensures that all Board procedures, rules and regulations are strictly followed by the members.

(3) All Board meeting minutes and all resource and presentation materials are uploaded to the Boardbooks and accessible by each Director on his iPad.

(d) Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in the negative.

The incumbent Corporate Secretary, Ms. M. Jasmine S. Oporto, is a lawyer with extensive legal and corporate secretarial and compliance experience.

Ms. Oporto, 56 years old, Filipino, has been the Corporate Secretary of AEV since 2004 and Compliance Officer since November 2005. She is concurrently the Senior Vice President - Chief Legal Officer. She is also Vice President for Legal Affairs of Davao Light & Power Company, Inc.; Chief Compliance Officer and Corporate Secretary of Aboitiz Power Corporation; and Assistant Corporate Secretary of Visayan Electric Company, Inc. and Hijos de F. Escaño, Inc. Prior to joining AEV, she worked in various capacities at the Hong Kong office of Kelley Drye & Warren, LLP, a New York-based law firm, and the Singapore-based consulting firm Albi Consulting Pte. Ltd. She obtained her Bachelor of Laws degree from the University of the Philippines and is a member of both the Philippine and New York bars. **She is an Associate of the Institute of Corporate Directors. She is also an accredited director of the Bangko Sentral ng Pilipinas, having completed the course for Corporate Governance and Risk Management for Board of Trustees/Directors of Banks. She completed the course for Corporate Governance and Risk Management for Board of Trustees/Directors of Banks conducted by the Bangko Sentral ng Pilipinas (BSP). She is not connected with any government agency or instrumentality.**

(Updated as of December 31, 2015)

(e) Committee Procedures

Disclose whether there is a procedure that Directors can avail of to enable them to get information necessary to be able to prepare in advance for the meetings of different committees:

Yes ✓ No

Committee	Details of the procedures
Audit	In accordance with the Company's Board Protocol Process Flow, the board materials of directors are provided to the Board at least five (5) calendar days prior to the board meeting. The minutes and material of the previous meetings are also made available to the members of the Board through the Diligent Boardbooks application. The Company's Corporate Center likewise updates members of the Board with recent developments significant to their practice through regular circulation of new laws, rules and regulations, and the like which may affect the workings of the board

	committees. All materials for the previous as well as future meetings are uploaded to the Boardbooks and are accessible by each Director on his iPad. Directors are likewise provided access to updates involving the Company and its subsidiaries through daily news updates circulated by electronic mail through the facility called Newswire. Directors are likewise given updates by the Company's Legal Department on significant changes in laws and rules of regulatory agencies, such as tax and regulatory updates.
Corporate Governance Committee	In accordance with the Company's Board Protocol Process Flow, the board materials of directors are provided to the Board at least five (5) calendar days prior to the board meeting. The minutes and material of the previous meetings are also available to the members of the Board through the Diligent Boardbooks application. The Company's Corporate Center likewise updates members of the Board with recent developments significant to their practice through regular circulation of new laws, rules and regulations, and the like which may affect the workings of the board committees. All materials for the previous as well as future meetings are uploaded to the Boardbooks and accessible by each Director on his iPad. Directors are likewise provided access to updates involving the Company and its subsidiaries through daily news updates circulated by electronic mail through the facility called Newswire. Directors are likewise given updates by the Company's Legal Department on significant changes in laws and rules of regulatory agencies, such as tax and regulatory updates.
Risk and Reputation Management Committee	In accordance with the Company's Board Protocol Process Flow, the board materials of directors are provided to the Board at least five (5) calendar days prior to the board meeting. The minutes and material of the previous meetings are also available to the members of the Board through the Diligent Boardbooks application. The Company's Corporate Center likewise updates members of the Board with recent developments significant to their practice through regular circulation of new laws, rules and regulations, and the like which may affect the workings of the board committees. All materials for the previous as well as future meetings are uploaded to the Boardbooks and accessible by each Director on his iPad.

6) External Advice

Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details:

Procedures	Details
The Office of the Chief Legal Officer provides assistance to directors if they need external advice. The Chief Legal Officer can refer directors to external resource	Electronic mail, personal discussions, seminars or presentations.

persons or request for advice on behalf of the Board. Moreover, the Management regularly invites resource persons, who are experts in various fields such as risk, insurance, banking, etc., to conduct briefings or seminars on topics relevant to the Board.	

7) Change/s in existing policies

Indicate, if applicable, any change/s introduced by the Board of Directors (during its most recent term) on existing policies that may have an effect on the business of the company and the reason/s for the change:

Existing Policies	Changes	Reason
Company's Manual of Corporate Governance	**Amendment of the Company's Manual of Corporate Governance to incorporate revisions required by SEC Memorandum Circular No. 9, Series of 2014**	**To improve the Company's corporate governance practices.**
Implementation of the Approval and Decision Matrices of Authority	Adoption of Approval and Decision Matrices of Authority	To identify and limit approval and decision-making authority within the Group.
Approval of the Board Audit Committee Charter	Adoption of a new charter	To assist the Board in making audit decisions effectively and in a timely manner.
Whistleblowing Policy	**Adoption of a new policy**	**To provide an avenue for directors and employees to report on illegal or unethical conduct committed in relation to the Company**

(Updated as of December 31, 2014)

D. REMUNERATION MATTERS

1) Remuneration Process

Disclose the process used for determining the remuneration of the CEO and the four (4) most highly compensated management officers:

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	The Company rewards the individual directors and officers based on their stretched strategic goals and ability to execute their duties and responsibilities. AEV's performance reward philosophy is based on objective performance. Performance is evaluated and compensation is reviewed on an annual basis. AEV ensures that it pays its officers competitively by comparing rates with	The Company rewards the individual directors and officers based on their stretched strategic goals and ability to execute their duties and responsibilities. AEV's performance reward philosophy is based on objective performance. Performance is evaluated and compensation is reviewed on an annual basis. AEV ensures that it pays its officers competitively by

	other Philippine based companies through market salary surveys. Changes in Board compensation, if any, are recommended by the Board Corporate Governance Committee, approved by the Board and affirmed or voted on by the shareholders in the Annual Stockholders' Meeting.	comparing rates with other Philippine based companies through market salary surveys. Changes in Board compensation, if any, are recommended by the Board Corporate Governance Committee, approved by the Board and affirmed or voted on by the shareholders in the Annual Stockholders' Meeting.
(2) Variable remuneration	The Company rewards the individual directors and officers based on their stretched strategic goals and ability to execute their duties and responsibilities. AEV's performance reward philosophy is based on objective performance. Performance is evaluated and compensation is reviewed on an annual basis. AEV ensures that it pays its officers competitively by comparing rates with other Philippine based companies through market salary surveys. Changes in Board compensation, if any, are recommended by the Board Corporate Governance Committee, approved by the Board and affirmed or voted on by the shareholders in the Annual Stockholders' Meeting.	The Company rewards the individual directors and officers based on their stretched strategic goals and ability to execute their duties and responsibilities. AEV's performance reward philosophy is based on objective performance. Performance is evaluated and compensation is reviewed on an annual basis. AEV ensures that it pays its officers competitively by comparing rates with other Philippine based companies through market salary surveys. Changes in Board compensation, if any, are recommended by the Board Corporate Governance Committee, approved by the Board and affirmed or voted on by the shareholders in the Annual Stockholders' Meeting.
(3) Per diem allowance	The Company rewards the individual directors and officers based on their stretched strategic goals and ability to execute their duties and responsibilities. AEV's performance reward philosophy is based on objective performance. Performance is evaluated and compensation is reviewed on an annual basis. AEV ensures that it pays its officers competitively by comparing rates with other Philippine based companies through market salary surveys. Changes in Board compensation, if any, are recommended by the Board Corporate Governance Committee, approved by the Board and affirmed or voted on by the shareholders in the Annual Stockholders' Meeting.	The Company rewards the individual directors and officers based on their stretched strategic goals and ability to execute their duties and responsibilities. AEV's performance reward philosophy is based on objective performance. Performance is evaluated and compensation is reviewed on an annual basis. AEV ensures that it pays its officers competitively by comparing rates with other Philippine based companies through market salary surveys. Changes in Board compensation, if any, are recommended by the Board Corporate Governance Committee, approved by the Board and affirmed or voted on by the shareholders in the Annual Stockholders' Meeting.

(4) Bonus	The Company rewards the individual directors and officers based on their stretched strategic goals and ability to execute their duties and responsibilities. AEV's performance reward philosophy is based on objective performance. Performance is evaluated and compensation is reviewed on an annual basis. AEV ensures that it pays its officers competitively by comparing rates with other Philippine based companies through market salary surveys. Changes in Board compensation, if any, are recommended by the Board Corporate Governance Committee, approved by the Board and affirmed or voted on by the shareholders in the Annual Stockholders' Meeting.	The Company rewards the individual directors and officers based on their stretched strategic goals and ability to execute their duties and responsibilities. AEV's performance reward philosophy is based on objective performance. Performance is evaluated and compensation is reviewed on an annual basis. AEV ensures that it pays its officers competitively by comparing rates with other Philippine based companies through market salary surveys. Changes in Board compensation, if any, are recommended by the Board Corporate Governance Committee, approved by the Board and affirmed or voted on by the shareholders in the Annual Stockholders' Meeting.
(5) Stock Options and other financial instruments	At present, AEV does not have any stock option or grants other financial instruments to its officers. AEV has a stock transfer program for key management position.	At present, AEV does not have any stock option or grants other financial instruments to its officers. AEV has a stock transfer program for key management position.
(6) Others (specify)	NA	NA

2) Remuneration Policy and Structure for Executive and Non-Executive Directors

Disclose the company's policy on remuneration and the structure of its compensation package. Explain how the compensation of Executive and Non-Executive Directors is calculated.

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
Executive Directors	The Board members' remuneration is a form of reward and recognition to attract, retain and optimize the directors who continually deliver quality services for the growth of the Company.	To compensate Directors for their services rendered to the Company, they are entitled to a monthly allowance as approved by the shareholders. In addition, each Director and the Chairman of the Board receives a per diem for every Board and Board Committee meeting attended. Directors who absent themselves during a particular Board meeting shall not be entitled to	AEV rewards its individual Directors and Officers based on ability to execute his duties and responsibilities. It is AEV's philosophy to reward based on individual performance. Performance is evaluated and compensation is reviewed on an annual basis. AEV ensures that it pays its directors and officers competitively

		any meeting allowance. Such allowances shall be reviewed from time to time to ensure that these reflect the industry standards.	by comparing rates with other Philippine-based companies through a market salary survey. Changes in Board compensation, if any, should come at the suggestion of the Committee but with full discussion and concurrence by the Board.
Non-Executive Directors	The Board members' remuneration is a form of reward and recognition to attract, retain and optimize the directors who continually deliver quality services for the growth of the Company.	To compensate Directors for their services rendered to the Company, they are entitled to a monthly allowance as approved by the shareholders. In addition, each Director and the Chairman of the Board receives a per diem for every Board and Board Committee meeting attended. Directors who absent themselves during a particular Board meeting shall not be entitled to any meeting allowance. Such allowances shall be reviewed from time to time to ensure that these reflect the industry standards.	AEV rewards its individual Directors and Officers based on ability to execute his duties and responsibilities. It is AEV's philosophy to reward based on individual performance. Performance is evaluated and compensation is reviewed on an annual basis. AEV ensures that it pays its directors and officers competitively by comparing rates with other Philippine-based companies through a market salary survey. Changes in Board compensation, if any, should come at the suggestion of the Committee but with full discussion and concurrence by the Board.

Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors? Provide details for the last three (3) years.

Shareholders approve any proposed compensation package of directors.

Remuneration Scheme	Date of Stockholders' Approval
Increased the monthly allowance of members of the Board.	**May 18, 2015**
No change in remuneration scheme.	2012-2014

(Updated as of December 31, 2015)

3) Aggregate Remuneration

Complete the following table on the aggregate remuneration accrued during the most recent year:

Total Annual Remuneration for 2015:*

a. Chairman of the Board – **Php3,360,000.00**
b. Member of the Board – **Php2,240,000.00**
c. Chairman of a Board Committee – **Php2,410,000.00**
d. Board Committee Member – **Php1,660,000.00**

Remuneration Item		Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	Chairman of the Board	NA	**Php1,980,000/ yr.**	NA
	Board Member	**Php1,32,000/ yr.**	**Php1,320,000/ yr.**	**Php1,320,000/ yr.**
	Board Committee Chairman	**Php1,320,000/ yr.**	**Php1,320,000/ yr.**	NA
	Board Committee Member	**Php1,320,000/ yr.**	**Php1,320,000/ yr.**	**Php1,320,000/ yr.**
(b) Variable Remuneration		None	None	None
(c) Per diem Allowance	Chairman of the Board	NA	Php150,000/ meeting	NA
	Board Member	Php100,000/ meeting	Php100,000/ meeting	Php100,000/ meeting
	Board Committee Chairman	Php100,000/ meeting	Php100,000/ meeting	Php100,000/ meeting
	Board Committee Member	Php80,000/ meeting	Php80,000/ meeting	Php80,000/ meeting
(d) Bonuses		None	None	None
(e) Stock Options and/or other financial instruments		None	None	None
(f) Others (Specify)		None	None	None

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
1) Advances	None	None	None
2) Credit granted	None	None	None
3) Pension Plan/s Contributions	None	None	None
(d) Pension Plans, Obligations incurred	None	None	None

(e) Life Insurance Premium	None	None	None
(f) Hospitalization Plan	None	None	None
(g) Car Plan	None	None	None
(h) Others (Specify) Director and Officer Liability Insurance	Php400 million limit of liability for each loss per policy period, with additional Php40 million dedicated additional limit for each director or officer	Php400 million limit of liability for each loss per policy period, with additional Php40 million dedicated additional limit for each director or officer	Php400 million limit of liability for each loss per policy period, with additional Php40 million dedicated additional limit for each director or officer

Computation based on nine (9) Board meetings and four (4) Board Committee meetings in 2015

(Updated as of December 31, 2015)

4) Stock Rights, Options and Warrants

(a) Board of Directors

Complete the following table, on the members of the company's Board of Directors who own or are entitled to stock rights, options or warrants over the company's shares:

At present, AEV does not grant any stock option to its directors or officers.

Director's Name	Number of Direct Option/Rights/ Warrants	Number of Indirect Option/Rights/ Warrants	Number of Equivalent Shares	Total % from Capital Stock
NA	NA	NA	NA	NA

(b) Amendments of Incentive Programs

Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. Disclose whether these are subject to approval during the Annual Stockholders' Meeting:

At present, AEV does not grant any incentive program, other than per diem allowance to its directors.

Incentive Program	Amendments	Date of Stockholders' Approval
NA	NA	NA

5) Remuneration of Management

Identify the five (5) members of management who are not at the same time executive directors and indicate the total remuneration received during the financial year:

The following list pertains to Chief Executive Officer and the Four Most Highly Compensated Officers of the Company:

Name of Officer/Position	Total Remuneration

Erramon I. Aboitiz President & Chief Executive Officer	**Php108,839,379.00**
Stephen G. Paradies Senior Vice President/Chief Financial Officer/ Corporate Information Officer	
Xavier Jose Aboitiz Senior Vice President - Chief Human Resources Officer	
Luis Miguel O. Aboitiz First Vice President	
Susan V. Valdez Senior Vice President – Chief Reputation Officer and Risk Management Officer	

Source: 2014 Definitive Information Statement (SEC Form 20-IS)

E. BOARD COMMITTEES

1) Number of Members, Functions and Responsibilities

Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board:

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
Audit	0	2	3	The Board Audit Committee shall be composed of at least three (3) directors, two (2) of whom shall be independent directors and two (2) non-voting members in the persons of the Chief Financial Officer	The Audit Committee is intended to provide assistance to the Board in fulfilling their responsibility to the shareholders, potential	The Audit Committee is intended to provide assistance to the Board in fulfilling their responsibility to the shareholders, potential	The Committee is authorized by the Company to deal with any activity within its Charter. It is authorized to seek any information it requires from any employee or

				and Chief Risk Management Officer. The Chairman of the Audit Committee shall be an independent director. Each member, preferably with accounting and finance backgrounds, shall have adequate understanding, familiarity and competence at most of AEV's financial management systems and environment.	shareholders and investment community relating to the: 1. Integrity of AEV's financial statements 2. AEV's compliance with legal/regulatory requirements 3. The independent auditor's qualifications and independence 4. The performance of AEV's internal audit function and independent auditors As part of this process, the external auditors will report to the Audit Committee, and the Group Internal Auditor will report to the Committee also from a functional perspective. In performing its duties, the Audit Committee has the authority to engage and compensate independent counsels and other advisors, which the Committee determines are necessary to carry out its duties, subject to Board approval. The Committee is required to ensure that corporate accounting and reporting	shareholders and investment community relating to the: 1. Integrity of AEV's financial statements 2. AEV's compliance with legal/regulatory requirements 3. The independent auditor's qualifications and independence 4. The performance of AEV's internal audit function and independent auditors As part of this process, the external auditors will report to the Audit Committee, and the Group Internal Auditor will report to the Committee also from a functional perspective. In performing its duties, the Audit Committee has the authority to engage and compensate independent counsels and other advisors, which the Committee determines are necessary to carry out its duties, subject to Board approval. The Committee is required to ensure that corporate accounting and reporting	members of the Company's Management in discharging its duties. The Committee is authorized by the Company to obtain outside legal or other independent professional advice and to secure the attendance of outsider experts with relevant experience and expertise as it deems necessary in the performance of its duties. The Committee may evaluate and update this Charter as it deems appropriate but only doing so with the sanction of the full Company.

					practices of the Company are in accordance with all legal requirements and are of the highest quality. Each committee member must exercise the care, diligence and skills that a reasonably prudent person would exercise in comparable circumstances.	practices of the Company are in accordance with all legal requirements and are of the highest quality. Each committee member must exercise the care, diligence and skills that a reasonably prudent person would exercise in comparable circumstances.	
Corporate Governance (assumed the functions of the Nomination and Remuneration Committees)	0	2	3	The Board believes that it can usefully supplement its ability to make decisions related to governance principles and guidelines effectively and in a timely manner if it can delegate the task of preparing a strategic agenda for the Board and ensuring that the Board is given the information necessary for making good governance decisions. The Corporate Governance Committee is intended to assist the Board and not to pre-empt any board responsibilities in making the final decisions on corporate governance, nomination and compensation matters. In performing its duties, the Committee will maintain effective working relationships with the Board and the Group senior leadership. To perform his or her role effectively, each Committee member	The Committee has five main broad responsibilities: 1. Develop and recommend to the Board a set of corporate governance principles, including independence standards and otherwise taking a leadership role in shaping the corporate governance of the Group. 2. Assist the Board by developing and recommending for approval a set of governance guidelines applicable to the selection, contribution and conduct of Board members; and based on the approved guidelines to conduct periodic evaluations of the performance of Board members against	The Committee has five main broad responsibilities: Develop and recommend to the Board a set of corporate governance principles, including independence standards and otherwise taking a leadership role in shaping the corporate governance of the Group. 2. Assist the Board by developing and recommending for approval a set of governance guidelines applicable to the selection, contribution and conduct of Board members; and based on the approved guidelines to conduct periodic evaluations of the performance of Board members against	In performing its duties, the Committee shall have the authority to retain at the expense of the Group such outside counsel, experts and other advisors as it determines appropriate to assist it in the full performance of its functions, subject to Board approval of such appointment. The Committee is required to contribute to the management of the Group's affairs to ensure good governance, as outlined here, and in doing so to act honestly and in good faith with a view to the best interest of the stakeholders.

				will obtain an understanding of the detailed responsibilities of Committee membership as well as the Group's business and operating environment.	the approved criteria. 3. Assist the Board by developing for approval criteria for the identification and selection of independent non-executive Directors and executive senior management directors, and by making specific recommendation to the Board on the director or directors to be nominated for election at the next annual meeting of shareholders. 4. Assist the Board by ensuring that appropriate senior leadership succession planning is in place throughout the Group and recommending to the Board appropriate potential and actual successors to the Group CEO and other key senior leadership roles. 5. Assist the Board by considering and recommending goals and objectives relevant to Board Director and senior leadership compensation, and making recommendations for compensation structures and	the approved criteria. 3. Assist the Board by developing for approval criteria for the identification and selection of independent non-executive Directors and executive senior management directors, and by making specific recommendation to the Board on the director or directors to be nominated for election at the next annual meeting of shareholders. 4. Assist the Board by ensuring that appropriate senior leadership succession planning is in place throughout the Group and recommending to the Board appropriate potential and actual successors to the Group CEO and other key senior leadership roles. 5. Assist the Board by considering and recommending goals and objectives relevant to Board Director and senior leadership compensation, and making recommendations for compensation structures and	

					levels for 6. Board Directors, the Group CEOs and other senior leaders.	levels for 6. Board Directors, the Group CEOs and other senior leaders.	
Risk and Reputation Management	1	3	**3**	The Board believes that it can usefully supplement its ability to make decisions related to risk management effectively and in a timely manner if it can delegate to a Risk Committee the task of preparing an appropriate strategic agenda for the Board and ensuring that the Board is given the information necessary for making good risk management decisions. The purpose of the Risk and Reputation Management Committee is to assist the Board, and to some extent the Audit Committee of the Board, in the following: 1. Exercise of oversight responsibilities with regard to: a. Risk Management • Risk Appetite and Tolerance of the Group • Risk Profile of the Group and its performance against the Defined Risk Appetite and Tolerance • Risk Management Framework • Governance Structure to support its	The Risk Committee represents the Board in discharging its responsibility relating to risk management related matters across the Group. **Risk Management** a. Governance - Approve principles, policies, strategies and structures to guide and support the RM process and implementation across the Group b. Process and Integration - Review the methodology, tools and processes for identifying, assessing, treating, monitoring and reporting risks. These include: • Reviewing with management, on an annual basis, the established risk appetite and risk tolerance, • Identification, assessment and	The Risk Committee represents the Board in discharging its responsibility relating to risk management related matters across the Group. **Risk Management** a. Governance - Approve principles, policies, strategies and structures to guide and support the RM process and implementation across the Group b. Process and Integration - Review the methodology, tools and processes for identifying, assessing, treating, monitoring and reporting risks. These include: • Reviewing with management, on an annual basis, the established risk appetite and risk tolerance, • Identification, assessment and	The Committee does not have decision-making authority, except in the circumstances described herein or to the extent that such authority is expressly delegated by the Board.

				Framework b. Reputation Management • Reputation Issues Management • Corporate Branding & Communication Strategy • Governance structure to support its framework 2. Establish and maintain a constructive, collaborative relationship, with the Group's senior leadership, especially, the Group CEO, the Group Chief Risk Management Officer and the heads of each of the businesses within the Group. 3. Assist the Board, and to some extent the Board Audit Committee, in fulfilling its corporate governance responsibilities relating to risk management and reputation management. 4. Assist the Board and not to pre-empt any Board responsibilities in making decisions related to risk management and reputation management. As appropriate, make recommendations to the Board for policy adoption.	treatment of key risks at Strategic, Project and Operational levels • Monitoring and follow-up the significant risks identified, including emerging risk issues and trends • Reviewing key strategies and results of the development, testing and audits of Business Continuity Plans (Emergency Response, Incident & Crisis Management and Business Recovery • Reviewing the integration and alignment of the Risk Management framework, concepts and process with key internal and external processes and management systems c. Risk Finance • Reviewing the framework and process	treatment of key risks at Strategic, Project and Operational levels • Monitoring and follow-up the significant risks identified, including emerging risk issues and trends • Reviewing key strategies and results of the development, testing and audits of Business Continuity Plans (Emergency Response, Incident & Crisis Management and Business Recovery • Reviewing the integration and alignment of the Risk Management framework, concepts and process with key internal and external processes and management systems c. Risk Finance • Reviewing the framework and process	

					for achieving the optimal balance between retaining and transferring risks. This includes the structures for the Risk Finance activities and the processes of Risk Finance with regards to • Procurement and renewal of insurance lines • Claims management • Risk engineering surveys. • Captives management d. Capability Building - Review of the plan and performance of the Capability Building programs developed to raise awareness and enhance the Group's understanding and appreciation of risk management **Risk Reporting** • Review the Group's risk management policy, at least on an annual basis. • Provide a	for achieving the optimal balance between retaining and transferring risks. This includes the structures for the Risk Finance activities and the processes of Risk Finance with regards to • Procurement and renewal of insurance lines • Claims management • Risk engineering surveys. • Captives management d. Capability Building - Review of the plan and performance of the Capability Building programs developed to raise awareness and enhance the Group's understanding and appreciation of risk management **Risk Reporting** • Review the Group's risk management policy, at least on an annual basis. • Provide a	

					forum to review exposures and strategies to mitigate risks with relevant Group senior leaders and business managers. • Undertake a periodic review of the delegated authorization and control levels. Upon consultation with the Group CEO and Group CFO, to make recommendations to the Board related to any changes in these levels seen to be appropriate. • As and when appropriate, recommend to the Board seeking expert advice from external providers for specific needs for which internal expertise is unavailable, or for which an independent perspective is considered valuable.	forum to review exposures and strategies to mitigate risks with relevant Group senior leaders and business managers. • Undertake a periodic review of the delegated authorization and control levels. Upon consultation with the Group CEO and Group CFO, to make recommendations to the Board related to any changes in these levels seen to be appropriate. • As and when appropriate, recommend to the Board seeking expert advice from external providers for specific needs for which internal expertise is unavailable, or for which an independent perspective is considered valuable.	

					• Review reports and significant findings of Internal Audit with respect to risk management activities, together with management's responses and follow-up reports • Review significant reports from regulatory and government agencies relating to risk management and compliance issues, and management's responses, if any • Ensure that risk reports (risk management plan, risk maps, etc.) are updated to reflect audit reports and findings above, including any additional risk information and mitigation • Escalate to the Board Audit Committee, for discussion at a joint	• Review reports and significant findings of Internal Audit with respect to risk management activities, together with management's responses and follow-up reports • Review significant reports from regulatory and government agencies relating to risk management and compliance issues, and management's responses, if any • Ensure that risk reports (risk management plan, risk maps, etc.) are updated to reflect audit reports and findings above, including any additional risk information and mitigation • Escalate to the Board Audit Committee, for discussion at a joint	

					session of the Audit and Risk Committees, any items that have a significant financial statement impact or require significant financial statement/regulatory disclosures; and escalate other significant issues, including, but not limited to, significant compliance issues, as soon as deemed necessary by the Committee in a joint session of the Audit and Risk Committees. Review the appointment, performance and replacement of the Chief Risk Management Officer **Reputation Management** • Ensure proper reputation management framework implementation across the group	session of the Audit and Risk Committees, any items that have a significant financial statement impact or require significant financial statement/regulatory disclosures; and escalate other significant issues, including, but not limited to, significant compliance issues, as soon as deemed necessary by the Committee in a joint session of the Audit and Risk Committees. Review the appointment, performance and replacement of the Chief Risk Management Officer **Reputation Management** • Ensure proper reputation management framework implementation across the group	

					• Issues Identification • Issues Evaluation (Analysis & Action) • Issues Monitoring • Review Reputation Survey with management on an annual basis • Review of Corporate Brand & Communication Strategy • Review exposures and strategies to mitigate Reputation risks • Review Social Media Strategy & Corporate Policy Review group CSR Strategy & Programs	• Issues Identification • Issues Evaluation (Analysis & Action) • Issues Monitoring • Review Reputation Survey with management on an annual basis • Review of Corporate Brand & Communication Strategy • Review exposures and strategies to mitigate Reputation risks • Review Social Media Strategy & Corporate Policy Review group CSR Strategy & Programs	

(Updated as of September 30, 2015)

2) Committee Members

(a) Executive Committee

The Company does not have an Executive Board Committee. Instead, the Company has a Corporate Center Management Committee composed of the Chief Executive Officer, Chief Human Resources Officer, Chief Risk Management Officer, and all function heads of the Company. It meets and discusses policies and directions for management actions.

(b) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held*	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Jose C. Vitug	May 18, 2015	5	7	100%	2008-2015
Member (ID)	Raphael P.M. Lotilla	May 18, 2015	5	7	100%	2012-2015
Member (ID)	Stephen T. CuUnjieng	May 18, 2015	5	7	100%	2011-2015
Member (NED)	Roberto E. Aboitiz	May 18, 2015	5	4	80%	2007-2015

Member (NED)	Justo A. Ortiz	**May 18, 2015**	**5**	**2**	**40%**	**2006-2015**

**** For the period January – December 2015***

Disclose the profile or qualifications of the Audit Committee members.

(1) Jose C. Vitug (Independent Director, Chairman – Board Audit Committee, Member – Board Corporate Governance Committee, Member – Board Risk and Reputation Management Committee), 81 years old, Filipino, has served as Independent Director of AEV since May 16, 2005 and has been a member of the Board Audit Committee of AEV since 2008. He is a Consultant of the Committee on Revision of the Rules of the Supreme Court of the Philippines; Chairman of the Angeles University Foundation Medical Center; Independent Director of ABS-CBN Holdings Corporation; Trustee of the Mission Communications Foundation, Inc.; Dean of the Angeles University Foundation School of Law, and a Graduate Professor of the Graduate School of Law of San Beda College. He was formerly an Associate Justice of the Supreme Court, Chairman of the House of Representatives Electoral Tribunal, and Senior Member of the Senate Electoral Tribunal. He is a Professional Lecturer of the Philippine Judicial Academy.

(2) Raphael P.M. Lotilla (Independent Director, Member – Board Audit Committee, Member – Board Corporate Governance Committee, Member – Board Risk and Reputation Management Committee), 57 years old, Filipino, has served as Independent Director of AEV since May 21, 2012 and has been a member of the Board Audit Committee of AEV since 2012. He was the Executive Director of the Partnerships in Environmental Management for the Seas of East Asia, an inter-governmental regional organization. Mr. Lotilla also served the Philippine government in various capacities, as Department of Energy (DOE) Secretary from March 2005 to July 2007, President and Chief Executive Officer of Power Sector Assets and Liabilities Management Corporation (PSALM) from January 2004 to March 2005, and Deputy Director-General of National Economic and Development Authority from 1996 to 2004. Mr. Lotilla earned his degrees in Bachelor of Science in Psychology and Bachelor of Arts in History from the University of the Philippines, Diliman and finished his Bachelor of Laws from the same school. He holds a Master of Laws degree from the University of Michigan Law School, Ann Arbor, Michigan, U.S.A. He is a member of the Board of Trustees of the Philippine Institute for Development Studies.

(3) Stephen T. CuUnjieng (Independent Director, Member – Board Audit Committee, Member – Board Corporate Governance Committee, Member – Board Risk and Reputation Management Committee), 56 years old, Filipino, has served as Independent Director of AEV since May 19, 2010 and has been a member of the Board Audit Committee of AEV since 2011. He has a long and extensive experience in investment banking with a number of major international investment banks. He has led several high profile transactions in the Philippines and Asia and has won ten Deals of the Year awards since 2005. He is currently Chairman for Asia of Evercore Partners, an investment bank listed with the New York Stock Exchange; and Adviser to the Board of SM Investments Corporation. He previously held Vice Chairman, Managing Director and Director positions with Macquarie, Merrill Lynch and Salomon Brothers, among others. He graduated from Ateneo de Manila University and also has an Ll.B (with honors) from Ateneo School of Law. He has an MBA from the Wharton School of the University of Pennsylvania, U.S.A.

(4) Roberto E. Aboitiz (Director, Member – Board Audit Committee, Member – Board Corporate Governance Committee), 66 years old, Filipino, has served as Director of AEV since May 9, 1994. He served as Chairman of AEV from 2005 until December 2008 and has been a member of the Board Audit Committee of AEV since 2006. He is Vice Chairman of ACO; Director of Tsuneishi Heavy Industries, (Cebu), Inc. (THI), Cotabato Light and Davao Light; Chairman and President of RAFI and West Cebu People Solutions, Inc. (WCPSI). He is Chairman of Sacred Heart School - Ateneo de Cebu and Co-Chairman of the Metro Cebu Development and Coordinating Board. He was Director of City Savings Bank, Inc. (CitySavings) from 1992 up to March 2013. He graduated from Ateneo de Manila University with a Bachelor of Arts degree in Behavioral Science. In 2008, he was conferred Doctor of Humanities (Honoris Causa) and Doctor of Science in Business Management (Honoris Causa). He is a recipient of the Perlas Award for Valuable Leader in Youth and Community Development. He is not connected with any government agency or instrumentality.

(5) Justo A. Ortiz (Director, Member – Board Audit Committee, Member – Board Risk and Reputation Management Committee), 58 years old, Filipino, has served as Director of AEV since May 9, 1994 and has

been a member of the Board Audit Committee since 2006. He is also Chairman and Chief Executive Officer of UnionBank, Vice Chairman of MegaLink, Director of Bankers Association of the Philippines, Member of Philippine Trade Foundation, Inc. and World Presidents Organization. Prior to his stint in UnionBank, he was Managing Partner for Global Finance and Country Executive for Investment Banking at Citibank N.A. He graduated magna cum laude with a degree in Economics from Ateneo de Manila University.

Source: 2015 Information Statement (SEC 20-IS)

(Updated as of December 31, 2015)

Describe the Audit Committee's responsibility relative to the external auditor.

Based on the Manual of Corporate Governance, the Audit Committee has the following responsibilities to the external auditor:

(1) Review and approve the hiring policies regarding partners, employees and former partners and employees of the Group's external auditors, and make appropriate recommendations to the Board.

(2) Select, monitor and review the independence, performance and effectiveness, and remuneration of external auditors, in consultation with the Group CEO, the Group CFO and the Group internal auditor, and where appropriate recommend to the Board replacing the current external auditor with another, after having conducted a rigorous search.

(3) Ensure that external auditors are ultimately accountable to the Board and to the shareholders of the Group.

(4) Meet with external auditors and the Group CFO to review the scope of the proposed audit for the current year and the audit procedures to be utilized. At the conclusion of the audit, receive the external auditor's report, reviewing and discussing their comments and recommendations, in consultation with the Group CEO and the Group CFO, and make specific recommendations to the Board for adoption.

(5) Consider whether the external auditor's performance of specific nonaudit services is compatible with the auditor's independence, and if so, determine the specific policies and processes to be adopted as part of the external auditor's appointment to ensure that independence is maintained.

(6) Provide an open avenue of communication where necessary between Group senior leadership, the Group internal auditor, the Board and the external auditor.

(7) Review the external auditor's management comment letter and management's responses thereto, and enquire as to any disagreements/restrictions between management and external auditor. Review any unadjusted differences brought to the attention of management by the external auditors and the resolution of the same.

(8) Review and discuss with the Group CEO, the Group CFO and the external auditors the accounting policies which may be viewed as critical, and review and discuss any significant changes to the accounting policies of the Group and accounting and financial reporting proposals that may have significant impact on the Group's financial reports.

In addition, the Audit Committee Charter provides for the following additional responsibilities with respect to the External Auditor:

1. Appoint, determine the compensation of, and review the scope of work, fees and performance of, including re-appointment and resignation, of the independent auditors of the Company.

The independent auditors of the Company shall report directly to the Committee and the Committee

has the ultimate authority and responsibility to select, evaluate and, where appropriate, re-appoint or replace the independent auditors. The independent auditors shall report to the Committee, and the Committee shall oversee the resolution of, disagreements between management and the independent auditors in the event that they arise.

At least annually, the Committee shall evaluate the independent auditors' professional qualifications, performance, independence and compensation. The evaluation shall include a review of the qualifications, performance and independence of the lead partner of the independent auditors.

In conducting the review, the Committee shall take into account the Auditor's Report stated in the succeeding section and the independent auditors' work throughout the year, as well as the opinions of management and internal auditors. The Committee shall present its conclusions with respect to the independent auditors to the Company.

2. Ensure that independent auditors comply with the International on the Professional Practice of Internal Auditing (ISPPIA).

3. Ensure that the independent auditors shall not at the same time provide the services of an internal auditor to the same client. The Committee shall ensure that other non-audit work shall not be in conflict with the functions of the independent auditor.

4. Ensure that the independent auditors are ultimately accountable to the Board of Directors and shareholders of the Company.

At least annually, obtain and review the completeness and timeliness of the report from the independent auditors (the "Auditor's Report") describing the Company's internal quality control procedures, any material issue raised by the most recent internal quality control review or peer review of the Company or by any inquiry or investigation by governmental or regulatory authorities within the preceding five (5) years, and the recommended steps to be taken to deal with such issues. The Committee shall review and discuss the Auditor's Report with the independent auditors and management, and make specific recommendations to the Board of Directors for adoption.

(c) Nomination Committee (functions incorporated into the Board Corporate Governance Committee)

In February 2009, the Board of Directors of AEV approved the creation of additional board committees and the consolidation of existing ones. In the same year, the Investor Relations Committee was dissolved and the Board Nominations and Compensation Committee merged with the Board Corporate Governance Committee.

Office	Name	Date of Appointment	No. of Meetings Held*	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (NED)	Jon Ramon Aboitiz	May 18, 2015	3	3	100%	2010-2015
Member (NED)	Roberto E. Aboitiz	May 18, 2015	3	3	100%	2010-2015
Member (ID)	Jose C. Vitug	May 18, 2015	3	3	100%	2010-2015
Member (ID)	Raphael P.M. Lotilla	May 18, 2015	3	3	100%	2012-2015
Member (ID)	Stephen T. CuUnjieng	May 18, 2015	3	3	100%	2011-2015
Ex-officio	M. Jasmine S. Oporto	May 18, 2015	3	3	100%	2010-2015
Ex-officio	Xavier Jose Aboitiz	May 18, 2015	3	3	100%	2010-2015

** For the period January- December 2015*

(d) Remuneration Committee (functions incorporated into the Board Corporate Governance Committee)

In February 2009, the Board of Directors of AEV approved the creation of additional board committees and the consolidation of existing ones. In the same year, the Investor Relations Committee was dissolved and the Board Nominations and Compensation Committee merged with the Board Corporate Governance Committee.

Office	Name	Date of Appointment	No. of Meetings Held*	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (NED)	Jon Ramon Aboitiz	May 18, 2015	3	3	100%	2010-2015
Member (NED)	Roberto E. Aboitiz	May 18, 2015	3	3	100%	2010-2015
Member (ID)	Jose C. Vitug	May 18, 2015	3	3	100%	2010-2015
Member (ID)	Stephen T. CuUnjieng	May 18, 2015	3	3	100%	2012-2015
Member (ID)	Raphael P.M. Lotilla	May 18, 2015	3	3	100%	2011-2015
Ex-officio	M. Jasmine S. Oporto	May 18, 2015	3	3	100%	2010-2015
Ex-officio	Xavier Jose Aboitiz	May 18, 2015	3	3	100%	2010-2015

** For the period January- December 2015*

(e) Others (Specify)

Provide the same information on all other committees constituted by the Board of Directors:

BOARD RISK AND REPUTATION MANAGEMENT COMMITTEE

Office	Name	Date of Appointment	No. of Meetings Held**	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (NED)	Enrique M. Aboitiz	May 18, 2015	3	2	67%	2009-2015
Member (NED)	Justo A. Ortiz	May 18, 2015	3	3	100%	2009-2015
Member (NED)	Jon Ramon Aboitiz	May 18, 2015	3	2	67%	2010-2015
Member (ID)	Stephen T. CuUnjieng	May 18, 2015	3	3	100%	2010-2015
Member (ED)	**Erramon I. Aboitiz**	**May 18, 2015**	**2**	**2**	**100%**	**May 18, 2015**
Member (ID)	**Jose C. Vitug**	**May 18, 2015**	**2**	**2**	**100%**	**May 18, 2015**
Member (ID)	**Raphael P.M. Lotilla**	**May 18, 2015**	**2**	**1**	**50%**	**May 18, 2015**
Ex-officio	**Manuel R. Lozano***	**May 18, 2015**	**2**	**2**	**100%**	**May 18, 2015**
Ex-officio	Susan V. Valdez	May 18, 2015	3	3	100%	2012-2015
Ex-officio	Stephen G. Paradies	May 19, 2014	1	1	100%	2014-2015

Mr. Lozano replaced Mr. Paradies on May 18, 2015.
***** For the period January- December 2015***

3) Changes in Committee Members

Indicate any changes in committee membership that occurred during the year and the reason for the changes:

Name of Committee	Name	Reason
Audit	No change in membership.	
Nomination	No change in membership.	
Remuneration	No change in membership.	
Corporate Governance	No change in membership.	
Risk and Reputation Management	**Erramon I. Aboitiz** **Jose C. Vitug**	**Increase in membership.** **Increase in membership.**

Committee	Raphael P.M. Lotilla Manuel R. Lozano	Increase in membership. Retirement of previous member.

4) Work Done and Issues Addressed

Describe the work done by each committee and the significant issues addressed during the year.

Name of Committee	Work Done	Issues Addressed
Audit	**A. March 5, 2015** 1. SGV Presentation of Audit Results for Financial Year 2014 2. AEV YTD 2014 Financials 3. Presentation of Group Internal Audit a. Overall Opinion 2014 b. Statement of Independence c. Audit Highlights d. Audit Master Plan for 2015 e. 2015 Audit Plans & Deliverables 4. Board Audit Committee Self-Assessment for 2014 **B. May 7, 2015** 1. AEV YTD March Financials 2. Presentation of Group Internal Audit **C. July 28, 2015** 1. Appointment of External Auditor for 2015 2. YTD June Financials 3. Presentation of Group Internal Audit **D. October 26, 2015** 1. SGV Audit Plan for 2015 Financials 2. YTD September Financials 3. Presentation of Group Internal Audit a. Audit Highlights of Completed Engagements b. 2016 Audit Master Plan c. 2016 Audit Budget d. Review of Audit Charters **E. December 2, 2015 (Joint with Board Risk & Reputation Committee)** 1. 2016 Aboitiz Group Top Risks Review 2. Project Risks Review 3. 2016 Combined Assurance Plan 2016 Committee Meetings and Proposed Agenda	All issues passed upon by the Committee in these matters were discussed and addressed.
Nomination	(Incorporated into the Corporate Governance Committee)	
Remuneration	(Incorporated into the Corporate Governance Committee)	
Corporate Governance (assumes the functions of the Nomination and Remuneration Committees)	**A. February 26, 2015** 1. Discussed Recommendation to Appoint Luis Canete or Other Entity as Independent Party to Validate Votes during 2015 Annual Shareholders' Meeting (ASM) 2. Discussed Nominations for members of the Board of Directors for 2015-2016 3. Discussed Proposed Agenda for the 2015 ASM 4. Discussed Proposed Corporate Governance Report for the Annual Report 5. Discussed Updates on the Replacement of stock	All issues passed upon by the Committee in these matters were discussed and addressed.

	transfer agent **6. Discussed Salary Adjustments for 2015** **7. Discussed 2014 Statutory Compliance Report** **8. Discussed Corporate Governance Updates** **9. Discussed Regulatory Updates** **10. Discussed Updates on Investor Relations Report** **B. July 23, 2015** **1. Discussed Updates on 2015 ASM** **2. Discussed Results of the 2014 Board Performance Assessment** **3. Discussed Updates on the Assumption of New Stock Transfer Agent** **4. Discussed Updates on 2015 Dividend Distribution** **5. Discussed Gap Analysis of Code of Ethics and the Foreign Corrupt Practices Act** **6. Discussed Corporate Governance Updates** **7. Discussed Regulatory Updates** **8. Discussed Updates on Investor Relations Report** **9. Discussed Integration of Legal Management with Governance Risk and Compliance** **C. December 2, 2015** **1. Discussed Corporate Governance Updates** **2. Discussed Regulatory Updates** **3. Discussed 2016 Corporate Governance Seminar** **4. Discussed Updates on Investor Relations Report** **5. Discussed 2015 ASEAN Corporate Governance Scorecard Awarding Ceremony** **6. Discussed 2015 PSE Bell Awards – Results**	
Risk and Reputation Management	**A. February 26, 2015** **1. Impact of Lower Oil and Coal Prices to Aboitiz** **2. CSR Year-end Reports** **a. Aboitiz Foundation** **b. Weather Philippines Foundation** **3. 2014 Group Risk Maturity Index Results** **4. Risk Finance Update** **a. Renewal Update** **b. 2014 Total Cost of Insurable Risks** **B. July 23, 2015** **1. Risk Appetite Policy** **2. Risk Management Information System** **3. Project Risk Review** **4. Strategic Risk Review – Mid Year Update** **C. December 2, 2015 (Joint with Board Audit Committee)** **1. 2015 Risk and Reputation Management Year-End Report** **2. 2016 Risk and Reputation Management Plans, Initiatives, Programs** **3. Risk and Reputation Management Policy Review and Approval** **4. 2016 Aboitiz Group Top Risks Review** **5. Project Risks Review** **6. 2016 Mandatory and Special Audits**	All issues passed upon by the Committee in these matters were discussed and addressed.

5) **Committee Program**

Provide a list of programs that each committee plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.

Name of Committee	Planned Programs	Issues to be Addressed
Executive	Not applicable	
Audit	Approved the inclusion in the audit master plan for next year governance audits which includes the risk management process audit and validation of the risk treatment plans committed by the different business units.	Adequacy and effectiveness of the risk management processes within the organization.
Nomination	Now Corporate Governance Committee	
Remuneration	Now Corporate Governance Committee	
Corporate Governance	Institute the use of electronic media and information and communication technologies (ICT) [E-Learning] in making all employees and officers of the Company knowledgeable on good corporate governance practices.	Adopt, disseminate and implement best practices in corporate governance within the Aboitiz Group.
Risk and Reputation Management Committee	Achieve AON's risk maturity level 4 Groupwide.	Ensuring risk management policies and practices are consistently implemented across the Group.

F. RISK MANAGEMENT SYSTEM

1) **Disclose the following:**

(a) **Overall risk management philosophy of the company;**

The Aboitiz Group commits to protect its reputation, safeguard its core investments, empower team members, delight customers and engage communities and to create long-term value for all its stakeholders.

AEV and the Business Units (BUs) commit to:

1. Establish Risk Management Governance policies and structures that guides and supports the RM process across the group.

2. Develop and implement the methodology, tools and Processes for assessing, treating, monitoring and reporting risks including the Integration with Strategy and key internal and external processes.

3. Ensure the process for achieving the optimal balance between retaining and transferring risks thru Risk Finance.

4. Build a Risk Management culture through Capability Building programs to raise awareness and enhance the Group's understanding and appreciation of risk management.

While it is the Team Leader's accountability to manage business risks, each Team Member has a role to play in building the Aboitiz Group as the best risk-managed business group in the region.

(b) Is there a statement in the Annual Report or in other company reports that the directors have reviewed the effectiveness of the risk management system with comments on the adequacy thereof;

1. Risk Maturity (RM) Index Assessment- The Risk and Reputation Management Report in the 2014 Annual Report states that AEV and its business units (BUs) continued to assess the state of the group's risk management (RM) maturity and how it compares against leading practices of similar organizations in the region and globally through the Aon's Risk Maturity Index (RMI). Participants of the RM maturity assessment included members of the board as well as key executives and team leaders.

2. Joint Meeting – Board Risk and Reputation and Board Audit Committee – In the 2014 joint meetings between the Risk and Reputation Management and Audit Committees, the top risks of AEV and the Business Units were presented as well as the results of the Risk Management Process and Risk Management Plan Validation audits.

3. Board Risk and Reputation Management Committee – In 2014, quarterly committee meetings were held to assist the Board of Directors in handling board responsibilities on oversight of the Risk Management program, ensuring proper RM framework implementation, review, monitor and follow-up the significant risks identified, including emerging risk issues and trends and mitigation measures and review risks with management on an annual basis.

(c) Period covered by the review;

1. Risk Maturity Index Assessment- 2014
2. Joint Meeting – Board Risk and Reputation and Board Audit Committee - 2014
3. Board Risk and Reputation Management Committee – 2014

(d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness; and

1. Annual Risk Maturity Index Assessment
2. Joint Meeting – Board Risk and Reputation and Board Audit Committee – Two (2) joint meetings in 2014
3. Board Risk and Reputation Management Committee – Quarterly Meetings in 2014

(e) Where no review was conducted during the year, an explanation why not.

Not applicable.

2) Risk Policy

(a) Company

Give a general description of the company's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

1. Purpose

This Policy sets out the risk management objectives and requirements of the Aboitiz Group and its Business Units. The Policy aims to structure and formalize the risk management activities across the business units of the Aboitiz Group. The Policy is intended to:

a. Provide a framework for identifying, analyzing, evaluating, treating, monitoring and communicating risks;

b. Communicate the roles and accountabilities of all stakeholders in the risk management process;

c. Highlight the status of risks to which the Aboitiz Group and its Business Units are exposed to.

The Aboitiz Group's Risk Management Policy is adopted mostly from and consistent with International Standard ISO 31000 (Risk Management – Principles and Guidelines)

2. Scope

The policy covers all Aboitiz Group Business Units and Corporate Center Units.

3. General Provisions

a. Conduct a formal risk assessment on an annual basis, and as necessary.
b. Report annually on the key business unit risks following AEV RMT risk reporting formats;
c. Develop and review, at least annually, a statement on the risk appetite and risk tolerance of the Group and Business Unit;
d. Continuously monitor key risks and controls and implement appropriate risk responses where necessary;
e. Identification of a full time Risk Manager per Business Unit
f. Inclusion of Risk Management in regular SBU/BU Mancom, Key Support Group (e.g. AP Regulatory, AP Business Development, etc.) discussions

4. Risk Classification System

The Group classifies its risks into four (4) namely, Strategic, Operational, Financial and Legal/Compliance. The Risk Classification system was established to:

a. enable the organization to identify where similar risks exist within the organization
b. enable the organization to identify who should be responsible in the management of related or similar risks
c. allow the Group to benchmark RM practices with other organizations globally, region and industry in accordance with international risk management standards,

(b) Group

Give a general description of the Group's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

1. The Aboitiz Group maintains one risk management policy for AEV and AboitizPower as well as for the Group. All of our Business Units are now in the process of developing their respective RM Policy based on the Group RM Policy.

2. Purpose

The RM Policy sets out the risk management objectives and requirements of the Aboitiz Group and its Business Units. The Policy aims to structure and formalize the risk management activities across the business units of the Aboitiz Group. The Policy is intended to:

a. Provide a framework for identifying, analyzing, evaluating, treating, monitoring and communicating risks;
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a. enable the organization to identify where similar risks exist within the organization
b. enable the organization to identify who should be responsible management of related or similar risks
c. allow the Group to benchmark RM practices with other organizations globally, region and industry in accordance with international risk management standards,

(c) Minority Shareholders

Indicate the principal risk of the exercise of controlling shareholders' voting power.

Risk to Minority Shareholders
Takeover maneuvers or similar devices that may entrench management of the existing controlling shareholder groups. The Company, however, is committed to equitable and fair treatment of minority shareholders and has clear and enforceable policies with respect to the treatment of minority shareholders to avoid shareholder opportunism The Company provides all shareholders with accurate and timely information regarding the number of shares of all classes held by controlling shareholders and their affiliates.

3) Control System Set Up

(a) Company

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risks of AEV, as parent company of the Aboitiz Group cover not only risks affecting AEV as a company but key risks affecting its Business Units as well.

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Reputation Risk	Today's world of higher corporate governance standards coupled with the rise of civil society	1. Building the organization's capability through a formalized governance structure and an

	groups, social media, and greater scrutiny from key stakeholders, have created a new environment where our corporate reputation has become a differentiating asset as well as our No. 1 risk.	intelligence process 2. Identifying and engaging all stakeholders through information and education campaigns 3. Implementing anticipatory issues management. 4. Development and implementation of a groupwide social media policy and strategy. 5. Developing brand champions and brand advocates among its team members through effective corporate communication and engagement programs. 6. Ensuring brand integrity by establishing reputation metrics. 7. Integrating sustainable practices across the value chain to promote inclusive growth.
Competition Risk	As with other businesses, AEV and its subsidiaries and affiliates operate in highly competitive environments. As such, failure to properly consider changes in our respective markets and predict the actions of competitors can greatly diminish our competitive advantage.	1. Strategic partnerships and alliances are explored and formed with technical experts and even local players where necessary. 2. For the new projects and investments, a formal project risk management program is now established Group-wide, and this will be enhanced further by the creation of an Investment Committee that established a structured framework for evaluating and ensuring that AEV and its Business Units pursue the right opportunities.
Regulatory Risk	The complexity of the business and regulatory landscape is increasing dramatically. Several of AEV's Business Units particularly in the power and banking sectors are now being subject to more stringent regulations.	1. Dedicated regulatory team for our Power Group; 2. Our banking units have full time compliance officers who spearhead the implementation of compliance programs; 3. Maintain good working relations with the Department of Energy, Bangko Sentral ng Pilipinas, Energy Regulatory Commission, Department of Environment and Natural Resources, Board of Investments, Food and Drug Administration, Securities and Exchange Commission, Department of Trade and Industry, Philippine Stock Exchange, and other key regulatory agencies; 4. Participate actively in

		consultative processes that lead to the development of rules and regulatory policy.
Business Interruption Due To Natural Calamities And Critical Equipment Breakdown	The loss of critical functions and equipment caused by natural calamities such as earthquakes, typhoons and floods could result to significant business interruptions. Interruptions may also be caused by other factors such as major equipment failures, fires and explosions, hazardous waste spills, workplace fatalities, product tampering, terrorism, and other serious risks.	1. Perform regular preventive maintenance of all our facilities; 2. As part of the Asset Management Program for the Power Generation group - maintenance, inspection data, and repair histories will be automated with the Maximo system going live; 3. Continually evaluate and strengthen loss prevention controls; 4. Develop business continuity plans per site; and 5. Procure Business Interruption insurance to cover the potential loss in profits in the event of a major damage to the Group's critical facilities and assets.
Commodity Risk	Our food and power businesses have raw material and fuel requirements that are subject to price, freight and foreign exchange volatility factors. A fluctuation in any of these volatile elements, individually or combined, will result to increases in the operating costs of these companies.	1. Better understanding of the commodity markets; 2. Enter into contracts and hedge positions with the different suppliers of these commodities; 3. Develop a Financial Risk Management framework to help improve existing capabilities in managing and reducing uncertainty relating to these commodities.
Project Risk	AEV is looking at major investment opportunities in the power generation, power distribution, infrastructure, renewable fuels, and real estate sectors. Given the variance in the scale and complexity of these projects, there are inherent risks and issues, such as project completion and execution within budget and timelines.	1. Partner with contractors and suppliers of established good reputation; 2. Implement Project Risk Management following the PMBOK (Project Management Book of Knowledge) framework; 3. Regular review of the project risk register to monitor implementation of risk control measures.

(b) Group

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the Group:

The Aboitiz Group covers risks affecting AEV as a company as well as key risks affecting its Business Units. Each of the Business Units in the Aboitiz Group has a Risk Management Plan that covers the key strategic, operational, financial and legal/compliance risks affecting the Business Units. These risks are then consolidated at the Aboitiz Group Level to arrive at the top Group risks.

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Reputation Risk	Today's world of higher corporate governance standards coupled with the rise of civil society groups, social media, and greater scrutiny from key stakeholders, have created a new environment where our corporate reputation has become a differentiating asset as well as our No. 1 risk.	1. Building the organization's capability through a formalized governance structure and an intelligence process 2. Identifying and engaging all stakeholders through information and education campaigns 3. Implementing anticipatory issues management. 4. Development and implementation of a groupwide social media policy and strategy. 5. Developing brand champions and brand advocates among its team members through effective corporate communication and engagement programs 6. Ensuring brand integrity by establishing reputation metrics 7. Integrating sustainable practices across the value chain to promote inclusive growth
Competition Risk	As with other businesses, AEV and its subsidiaries and affiliates operate in highly competitive environments. As such, failure to properly consider changes in our respective markets and predict the actions of competitors can greatly diminish our competitive advantage.	4. Strategic partnerships and alliances are explored and formed with technical experts and even local players where necessary. 5. For the new projects and investments, a formal project risk management program is now established Group-wide, and this will be enhanced further by the creation of an Investment Committee that established a structured framework for evaluating and ensuring that AEV and its Business Units pursue the right opportunities.
Regulatory Risk	The complexity of the business and regulatory landscape is increasing dramatically. Several of AEV's Business Units particularly in the power and banking sectors are now being subject to more stringent regulations.	1. Dedicated regulatory team for our Power Group; 2. Our banking units have full time compliance officers who spearhead the implementation of compliance programs; 3. Maintain good working relations with the Department of Energy, Bangko Sentral ng Pilipinas, Energy Regulatory Commission, Department of Environment and Natural Resources, Board of Investments, Food and Drug

		Administration, Securities and Exchange Commission, Department of Trade and Industry, Philippine Stock Exchange, and other key regulatory agencies; 4. Participate actively in consultative processes that lead to the development of rules and regulatory policy.
Business Interruption Due To Natural Calamities And Critical Equipment Breakdown	The loss of critical functions and equipment caused by natural calamities such as earthquakes, typhoons and floods could result to significant business interruptions. Interruptions may also be caused by other factors such as major equipment failures, fires and explosions, hazardous waste spills, workplace fatalities, product tampering, terrorism, and other serious risks.	1. Perform regular preventive maintenance of all our facilities; 2. As part of the Asset Management Program for the Power Generation group - maintenance, inspection data, and repair histories will be automated with the Maximo system going live. 3. Continually evaluate and strengthen loss prevention controls; 4. Develop business continuity plans per site; and 5. Procure Business Interruption insurance to cover the potential loss in profits in the event of a major damage to the Group's critical facilities and assets.
Commodity Risk	Our food and power businesses have raw material and fuel requirements that are subject to price, freight and foreign exchange volatility factors. A fluctuation in any of these volatile elements, individually or combined, will result to increases in the operating costs of these companies.	1. Better understanding of the commodity markets; 2. Enter into contracts and hedge positions with the different suppliers of these commodities; 3. Develop a Financial Risk Management framework to help improve existing capabilities in managing and reducing uncertainty relating to these commodities.
Project Risk	AEV is looking at major investment opportunities in the power generation, power distribution, infrastructure, renewable fuels, and real estate sectors. Given the variance in the scale and complexity of these projects, there are inherent risks and issues, such as project completion and execution within budget and timelines.	1. Partner with contractors and suppliers of established good reputation; 2. Implement Project Risk Management following the PMBOK (Project Management Book of Knowledge) framework; 3. Regular review of the project risk register to monitor implementation of risk control measures.

(c) Committee

Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanisms, and give details of its functions:

Committee/Unit	Control Mechanism	Details of its Functions
AEV Board of Directors	Oversight	Overall Responsible for Risk Management *Source: RM Policy*
Board Risk and Reputation Management Committee	Oversight (delegated by Board of Directors)	Has oversight responsibilities with regards to the following: 1. Enterprise Risk Management Framework 2. Governance Structure that supports its Framework 3. Risk Appetite and Tolerance of the Group 4. Risk Profile of the Group and its performance against the Defined Risk Appetite and Tolerance 5. Risk transfer and retention strategy and implementation of major insurance programs *Source: Board Risk and Reputation Management Committee Charter*
Board Audit Committee	Oversight	Oversight responsibilities with regards to the: 1. integrity of the Company's financial reporting system; 2. adequacy and effectiveness of the Company's systems of internal control, governance and risk management processes; 3. performance of internal audit function; 4. qualification, independence and performance of external auditors; 5. compliance with legal and regulatory requirements; and 6. maintenance of open communication lines between management, external auditors, the internal audit department, and the Company. *Source: Audit Committee Charter*
Board Risk and Reputation Management and Audit Committee	Oversight	Escalate for discussion at a joint session of the Audit and Risk and Reputation Management Committees any items that have a significant financial statement impact or require significant financial statement/regulatory disclosures; and escalate other significant issues, including, but not limited to, significant compliance issues, as soon as deemed necessary by both Committees to a joint session of the Audit and Risk and Reputation

		Management Committees. *Source: Board Risk and Reputation Management Committee Charter* *Audit Committee Charter*
Risk Management Council	Monitor, Review and Approval	1. Ensures proper implementation of Risk Management framework and its strategies, policies, and key initiatives 2. Reviews and monitors the Group's top risks and emerging risks and ensures implementation of corresponding risk mitigation 3. Approves all risk transfer programs with insured values above P2 billion *Source: RM Policy*
Insurance Management Committee	Monitor, Review and Approval	1. Reviews and approves Business Interruption assumptions for the sum insured and indemnity period 2. Reviews and approves replacement value of BU's physical assets 3. Approves all insurance lines to be procured by BUs for operations and project requirements 4. Reviews and validates all insurance quotations 5. Approves insurance programs of BUs with insurable risk value of up to P2 billion *Source: Risk Finance Manual*
Risk Management Steering Committee	Monitor, Review and Approval	1. Reviews and recommends group-wide Risk Management and Insurance policies, strategies and initiatives for RM Council review and approval 2. Reviews, monitors and reports implementation progress of group-wide Risk Management and Insurance projects and initiatives 3. Serves as forum for discussing key risk issues, emerging risks and sharing Risk Management knowledge, best practices, experience and research work *Source: RM Policy*
AEV Management Committee		1. Composed of the Chief Executive Officer, Chief Financial Officer, Chief Risk and Management Officer, Chief Human Resources Officer, Chief Legal Officer, and all functional Team Leaders. 2. Meet, discuss and adopt policies for the organization to implement strategies of the Company.

G. INTERNAL AUDIT AND CONTROL

1) Internal Control System

Disclose the following information pertaining to the internal control system of the company:

(a) Explain how the internal control system is defined for the company;

The system of internal controls refers to policies and procedures designed by management to (1) manage and mitigate known risks; (2) protect its assets from loss or fraud; (3) ensure reliability and integrity of financial information; (4) ensure compliance to laws, statutory and regulatory requirements; (5) promote efficient and effective operations; and (6) accomplish the company's goals and objectives.

Internal control is a management process for keeping an entity on course in achieving its organizational objectives. A management control system, including comprehensive internal controls, provides reasonable assurance that the company's business goals and/or objectives are being met.

(b) Is there a statement in the Annual Report or in other reports of the company that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;

Yes. The Board Audit Committee Report to the Board of the Directors in the Annual Report (including SEC Form 20-IS) contains an assessment of the state of the Company's internal controls. Further, the overall assessment of the statement of the effectiveness of the system of internal controls of the company is also presented and discussed during the first Board Audit Committee meeting for the year.

(c) Period covered by the review;

The review is done annually.

(d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system; and

The state of internal controls is done at least annually. The company conducts an annual self-assessment on the performance of the Board Audit Committee aligned with SEC Memo Circular No. 4, series of 2012 which covers the criteria for assessing the effectiveness of the internal control system.

(e) Where no review was conducted during the year, an explanation why not.

Not applicable.

2) Internal Audit

(a) Role, Scope and Internal Audit Function

Give a general description of the role, scope of internal audit work and other details of the internal audit function.

Role	Scope	Indicate whether In-house or Outsource Internal Audit	Name of Chief Internal Auditor/Auditing Firm	Reporting process

		Function		
Ensure that effective and appropriate organizational and procedural controls are in place.	Audit Universe: AEV Group of Companies • Scope of work encompasses evaluating and improving the adequacy and effectiveness of the Company's risk management, control and governance processes **NOTE**: *Detailed Scope, Roles and Responsibilities are included in the (1) Internal Audit Charter; (2) Board Audit Committee Charter; (3) Manual on Corporate Governance. All of which have been disclosed to the SEC.*	Generally **In-house.** Outsourcing/Co-sourcing is done from time to time for engagements that may be highly technical in nature or may be too manual (eg. Fixed Asset Count).	Maria Lourdes Y. Tanate – AEV Group Internal Audit Head	**Functionally** reports to the Board Audit Committee and **Administratively** reports to the President & CEO • Financial performance and all Audit report highlights are presented to the Audit Committee at least 4 times a year. **General Flow of Audit Reporting** **Exit Conference** with the Business Units auditees up to Manager level **Detailed report** presented to different levels of management of the BU **Executive Summary** presented to the C-suite level executives **Audit Report** to the Board

(b) Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee?

Yes. This is covered in the Company's Manual of Corporate Governance as well as the Board Audit Committee Charter. The independent auditors of the Company reports directly to the Audit Committee and the Committee has the ultimate authority and responsibility to select, evaluate and, where appropriate, re-appoint or replace the independent auditors. The Committee is likewise tasked to review the appointment and performance of the Internal Auditor, who shall functionally report directly to the Committee.

(c) Discuss the internal auditor's reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel?

The Head of the Group Internal Audit (GIA) functionally reports to the Board Audit Committee and administratively to the President and CEO. GIA has full, free and unrestricted access to all operating and financial company records, information, systems and applications, physical properties, activities and personnel relevant to the company and subject under review. (*Source: Internal Audit Charter*)

(d) Resignation, Re-assignment and Reasons

Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by the third-party auditing firm) and the reason/s for them.

Name of Audit Staff	Reason
Movements from AEV Group Internal Audit Team to the different SBUS FTY 2013	
Nacional, Mariane M.	Resignation (31 Oct 2014) – job opportunity; higher package and wider scope of responsibilities
Capistrano, Mary Ann G.	Internal Transfer (01Dec2014) – to AEV Risk Management Team; promotion

(e) Progress against Plans, Issues, Findings and Examination Trends

State the internal audit's progress against plans, significant issues, significant findings and examination trends.

Progress Against Plans	On-track based on committed timelines.
Issues[6]	All audit issues are monitored in the ISSUES MONITORING REPORT (IMR). The IMR contains the details action plans per business unit and the corresponding timeline for each issue. This is being monitored and **reported regularly** to the Board Audit Committee.
Findings[7]	The IMR also contains the detailed findings of all audit examinations done by the GIA as well as the highlights of the results of the resident audit teams.
Examination Trends	Operations or Process-based Reviews, Compliance Reviews, Financial reviews. 1. Recurring issues are noted as it impacts on the audit score given the auditee. 2. Starting 2013, all audit scores are to be incorporated in the business unit's Key Results Areas (KRA) for closer monitoring. This would likewise impact on their BUs performance assessment for the year. The above monitoring activities are done on a regular basis.

(f) Audit Control Policies and Procedures

Disclose all internal audit controls, policies and procedures that have been established by the company and the result of an assessment as to whether the established controls, policies and procedures have been implemented under the column "Implementation."

Policies & Procedures	Implementation
Operating Policies & Procedures of Business Units	BUs have their respective operating policies and procedures. The updating of which is done regularly—some as a result of audit findings. The updating of policies and procedures is an action item that gets included in the Issues

[6] "Issues" are compliance matters that arise from adopting different interpretations.
[7] "Findings" are those with concrete basis under the company's policies and rules.

	Monitoring Report (IMR) mentioned above with the corresponding timeline commitment by the BU. Examples of **ongoing** corporate initiatives to ensure that processes are properly documented includes compliance to world-class standards such as: 1. Quality Management System (QMS (ISO9001:2008) 2. Information Security Management System (ISMS) – ISO 27001 3. Occupational Health and Safety Assessment Series (OHSAS ISO 18001) 4. Environmental Management Systems (EMS ISO 14001) 5. HACCP and HALAL Certification for the Food Group

(g) Mechanism and Safeguards

State the mechanism established by the company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies (example, restrictions on trading in the company's shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide to the company):

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
INTERNAL AUDITORS: 1. Group Internal Audit (GIA) functionally reports to the Board Audit Committee and administratively to the President & CEO of the Company *(Source: Board Audit Committee Charter 13. C Internal Control & Audit)* 2. GIA is a recommendatory body. It has no direct operational responsibility of authority over any of the activities audited. GIA will not implement internal controls, develop procedures and install systems, prepare records or engage in any other activity normally reviewed by the team, as this may impair its objectivity and judgment. The GIA Head annually confirms to the Board the organizational independence of the internal	Information provided by Investor Relations is limited to information already publicly available. At no point is insider information given. All transactions are made on an arms-length basis and regular reports regarding the results of Investor Relations' interaction with outside parties are provided to the Management and the Board. Quarterly briefings are conducted on a regular basis and all analysts are invited to attend without any exclusivity.	Information provided is limited to information already publicly available. At no point is insider information given. All transactions are made on an arms-length basis and regular reports regarding the results of interaction with outside parties are provided to the Management and the Board.	Information provided is limited to information already publicly available. At no point is insider information given. All transactions are made on an arms-length basis and regular reports regarding the results of interaction with outside parties are provided to the Management and the Board.

audit activity. *(Source: Internal Audit Charter. Independence & Objectivity)*			
EXTERNAL AUDITORS: 1. The Board appoints, determine the compensation of, and review the scope of work, fees and performance of, including re-appointment and resignation, of the independent auditors of the Company. 2. Ensure that the independent auditors shall not at the same time provide the services of an internal auditor to the same client. The Committee shall ensure that other non-audit work shall not be in conflict with the functions of the independent auditor *(Source: Board Audit Committee Charter, 13, B. Independent External Auditors)*			

(h) State the officers (preferably the Chairman and the CEO) who will have to attest to the company's full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.

The Certification on the Company's compliance with its Manual of Corporate Governance is attested to by the Corporate Secretary and the President/ CEO of the Company.

H. ROLE OF STAKEHOLDERS

(b) Disclose the company's policy and activities relative to the following:

	Policy	Activities
Customers' welfare	Pursuant to the Company's Occupational Health and Safety Policy, all business and corporate service units of the Company are required to comply with all legislative occupational health and safety requirements.	All business and corporate service units of the Company are mandated to comply with all legislative occupational health and safety requirements as they relate to the planning, operation and maintenance of facilities and equipment usage, for the health and welfare of all Company stakeholders, including the customers.
Supplier/contractor selection practice	The Company adopted the Quality Management System (QMS) which defines and interacts with all activities of the organization, beginning with the identification of customer requirements and ending with their satisfaction, at every transaction interface, which include	The Company follows a procedure of bidding or request for proposals from prospective suppliers/ contractors. Suppliers are selected based on price and/or skill and experience.

	the methods for supplier/ contractor selection.	A supplier evaluation form is also accomplished after each completed project which likewise form as basis for future engagements of a particular supplier.
Environmentally friendly value-chain	The Company is committed to strike a balance between economic growth, social development and environmental stewardship in the conduct of its business. The Company implements programs that promote environmental preservation as well as social and economic development in the communities where its businesses operate.	Management provides and maintains a healthy and safe working environment in accordance with industry standards and in compliance with legislative requirements. All Team Members are equally responsible for maintaining healthy and safe workplaces that minimize the probability for accidents or hazardous incidents.
Community interaction	The Company's broader obligations to society and the community are addressed by the Company's continued compliance with its Manual, with all relevant laws and regulations, and the principles of sustainable development practices by the Company and our BUs. The Company is committed to strike a balance between economic growth and social development and environmental stewardship, in the conduct of its business.	The Aboitiz Group is committed to the environment by creating a sustainability mindset across the Group. The Group doubled its target of planting trees to six million trees by 2020, as it surpassed its three million trees target one year ahead of schedule in 2014, and firmed up its commitment to build a BetterWorld through sustainable environmental practices. In the same year, the Aboitiz Group obtained Global Reporting Initiative (GRI)- Checked Level B Certification for its 2013 Sustainability Report covering 52 performance indicators. For its 2014 Sustainability Report, the Company has adopted the GRI G4 reporting framework, which will allow it to focus reporting on what is critical and material to its business and stakeholders. The Company likewise continues to sponsor the original publication of books highlighting local themes, indigenous culture and medicinal flora as part of the sustainability mindset, such as the coffee-table book "Shades of Majesty," which was awarded the Gintong Aklat Awards for Best Book in Natural Sciences. The Aboitiz Group is working together with donors in the private sector, to support the Philippine Government in its efforts to reduce weather-related disaster risks in the country

		through Weather Philippines Foundation. The Aboitiz Group co-founded WeatherPhilippines to operate a premiere weather forecasting system across the country with the installation of automated weather stations (AWS) across the country. WeatherPhilippines secured its accreditation from the Philippine Council for NGO and from the Bureau of Internal Revenue as a donoee institution in 2014. By December 2014, WeatherPhilippines completed the installation of 700 AWS across the country. WeatherPhilippines provides accurate and reliable weather forecasts throughout the whole country.
Anti-corruption programmes and procedures	As a publicly-listed company, the Company is subject to numerous stringent laws and regulations. All Company employees are made aware of their responsibility to know and understand the laws applicable to their respective job responsibilities and are directed to comply with both the letter and the spirit of these laws.	One such policy is the non-acceptance of gifts from persons who have a beneficial relationship with the Company, as embodied in the Company's Code of Ethics. The Company makes it a point that employees know that gifts and special favors may create an inappropriate expectation or feeling of obligation.
Safeguarding creditors' rights	In dealings with its customers, suppliers and business partners, the Company abides by the Fair Dealing Policy found in its Code.	Every employee, officer and director therefore always prioritizes the best interests of the Company's clients and endeavors to deal fairly with suppliers, competitors, the public and one another. No one should take unfair advantage of anyone through manipulation, abuse of privileged information, misrepresentation of facts or any other unfair dealing practice.

The Board of Directors of the Company also approved in its regular meeting held on July 24, 2014 the amendments to the Company's Manual of Corporate Governance as mandated by SEC Memorandum Circular No. 9-2014. These amendments reflect the thrust of the Company to protect and uphold the rights and interests not only of the shareholders but also of its other stakeholders.

(c) Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?

The Company through its foundation, Aboitiz Foundation, Inc. (AFI), undertakes a committed Corporate Social Responsibility program. The Annual Report of AFI is published and also circulated to AEV shareholders. Linkage to AFI Annual Report is also available in the AEV website.

Moreover, the Company publishes a separate Sustainability Report which shows its initiatives in the protection of the environment guided by its triple bottomline approach of People, Planet, and Profit. For its 2014 Sustainability Report, the Company has adopted the Global Reporting Initiative (GRI) G4 reporting

framework, which will allow it to focus reporting on what is critical and material to its business and stakeholders.

(***Updated as of December 31, 2015***)

(d) Performance-enhancing mechanisms for employee participation.

A. What are the company's policy for its employees' safety, health, and welfare?

The Company has a Corporate Policy on Occupational Health and Safety, which mandates Management to eliminate any potential hazards or work situations that may result to property loss or damage, accidents or personnel illness and injury. It is the policy of the Company to protect both people and property.

1. Each team member is required to observe the following health and sanitation rules to protect and safeguard his own health and those of his fellow team members.

   a) Proper health rules should be observed with respect to use of handkerchiefs and, washing hands, etc.
   b) The comfort and sanitary facilities should be used properly and maintained clean and in good order at all times.
   c) All refuse and rubbish should be placed or thrown into the appropriate containers.
   d) A presentable and neat appearance of the office premises should be kept at all times.
   e) When a team member has reason to believe that he has a contagious disease, he should notify his Team Leader. The team member should be made to stay away from the office or Company premises to prevent the spread of the disease to other team members until he has been given clearance by the Company Doctor that the danger from such condition has passed. In this case, the rules on leaves shall apply.
   f) All team members are required to undergo an annual physical & dental check-up by the Company Doctor and dentist, respectively. Human Resources shall coordinate with Team Leaders in preparing a schedule of team members visit to the Doctor/Dentist for this annual check-up.

   In case of fire or robbery in the premises of the Company, the first officer or employee who detects or notices it should immediately sound the fire alarm or report the robbery.

   Depending on the circumstances, he should attempt to put-out the fire or take action to prevent loss or destruction of company property or funds. When a fire alarm is raised or a robbery is detected, employees should maintain presence of mind and should avoid creating panic among themselves and the public within the premises of the Company to minimize further aggravation of the situation.

2. The Company has protocols in place to support sustainability commitments. The Company publishes a separate Sustainability Report which shows its initiatives in the protection of the environment through the five pillars of Rejuvenate Nature, Re-use/Recycle, Reduce, Renewable Energy, and Recharge Communities.

B. Show data relating to health, safety and welfare of its employees.

The programs and strategic initiatives of the Human Resources (HR) Department are covered within the categories of Body and Physical Wellness programs (e.g. Compensation and Benefits Information, Health Talks, Aerobics/ Zumba Fitness, Biggest Loser Competition, Fitness Clubs and Safety and Protection Programs); Belongingness (Coffee with the President, Company Events, Quality Focus, Refer an A-Person, Creating the Future Organization, Birthday Announcements, Employee's Recognition, Team Celebrations, Good Health Bonus, Annual Merit Increase and Promotions); Soul and Spirit , Sense of Purpose (CSR Activities); and Learning and Growth (Universal Training Programs and other work-related trainings, E-learning, Educational Leave and Assistance, Financial Wellness, SuccessFactors, Computer Loan and U-21). These initiatives recently won in the Company's Team Awards for Driven to Excel category.

The Corporate HR's mission is to "To Attract, Retain and Optimize our A-people and constantly

adding value to our businesses". This mission aims to expand the Company's reach to identify talent, to continue to develop the Aboitiz Talent Management Program (ATMP), to strengthen traditional programs targeted at the "Body and Mind" and to expand retention programs to include more "Heart and "Spirit".

The Company is committed to the value proposition of the 4Ps: People, Planet, Profit, and Passion.

Moreover, the Company funds the team's annual medical check-up. The Company maintains a self insured medical plan for employees and an HMO plan for employee dependents at a reasonable level that is equal or above its peers in the market. More importantly, through its health benefits and initiatives, the Company encourages employees to maintain their good health and well being. In 2014, 213 out of 252 employees or 85% of the Company's team leaders and team members availed of the Company's medical benefits. 87% of the team members were able to avail of the Good Health Bonus, which is a reward for keeping oneself healthy.

Below are other examples of the health, safety, and welfare practices of the Company's Business Units which reflect the Aboitiz Group's policies:

1. **In 2014, Davao Light & Power Company, Inc. bagged the prestigious Department of Labor and Employment) Secretary's Award, particularly the Child Labor Free Establishment award.**

2. **Hedcor, an AboitizPower subsidiary, was recently awarded the Gawad Kaligtasan and Kalusugan Award for Occupational Safety and Health by the Department of Labor (DOLE) and the Safety Milestone Award by the Bureau of Working Conditions.**

3. **SN Aboitiz Power Group also received Silver and Bronze Awards in the Department of Labor and Employment's 9th Gawad Kaligtasan at Kalusugan last October 27, 2014. The Magat and Ambuklao hydroelectric power plants operated by SN Aboitiz Power-Benguet and SN Aboitiz Power-Magat won Silver Awards while the Binga plant bagged the Bronze Award, all under the Institutional category.**

(Updated as of December 31, 2014)

C. State the company's training and development programmes for its employees. Show the data.

Corporate HR has a universal training program (UTP) for all employees, including the Principles of Quality Living, Seven Habits, Creating the Future Organization, Basic Quality Awareness, Working Program, to name just a few technical in-house training skills. The Company adheres to a merit-based performance incentive pay compensation package that includes some form of employee stock ownership plans, merit increase schemes and bonus schemes for performance and incentives to employees. The Company offers not only statutory benefits but also additional internal benefit programs to enhance the quality of life of our employees.

In 2014, the Company achieved a 91% compliance rating for employee trainings within and beyond its universal training program. The Company had a total of 241 employees with average training hours of 45.70 hours per employee. This equates to a total of 11,014 training hours for the Company's employees for 2014.

(Updated as of December 31, 2014)

D. State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures

The Aboitiz employee benefit package aims to foster a culture that recognizes, rewards and celebrates the Aboitiz values and culture across the group. The Company's HR Department recently launched an Inspired by Passion campaign to provide an organized and purposive framework for all HR Initiatives and promote a thematic communication plan coming from the HR pillars of Attraction, Retention and Optimization. The Company is committed in addressing its employees' four basic

needs in the organizations.

4) What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behaviour? Explain how employees are protected from retaliation.

Below is the Company's policy in the enforcement and administration of its Code of Ethics and Business Conduct:

a) Reporting Violations

"You are the Company's first line of defense against unethical business practices and violations of the law. If you observe or become aware of any conduct that you believe is unethical or unlawful—whether by another employee, a consultant, supplier, client, or other third party—you must communicate that information to your direct supervisor or, if appropriate or necessary, senior management. They will notify and consult with Law, Compliance, or Corporate Security, and take appropriate steps to stop the misconduct and prevent its recurrence. If appropriate or necessary, you may also raise your concerns directly with Law, Compliance or Corporate Security.

If you are a supervisor, you have an additional responsibility to take appropriate steps to stop any misconduct that you are aware of, and to prevent its recurrence. Supervisors that do not take appropriate action may be held responsible for failure to supervise properly.

If you prefer to report an allegation anonymously, you must provide enough information about the incident or situation to allow the Company to investigate properly.

AEV will not tolerate any kind of retaliation for reports or complaints regarding the misconduct of others that were made in good faith. Open communication of issues and concerns by all employees without fear of retribution or retaliation is vital to the continued success of the Company. Unless appropriate Company management learns of a problem, the Company cannot deal with it. Concealing improper conduct often compounds the problem and may delay or hamper responses that could prevent or mitigate actual damage."

b) The Company has a program of "Talk to EIA" or talk to the CEO through e-mail on any matter. This is an additional confidential venue for any whistle-blowing. In early 2014, this program was formally adopted as the avenue for the Company's Whistleblowing Policy. A "Talk to the Chairman" avenue will likewise be implemented by the Company as an added venue to encourage whistleblowing within the Company.

c) All Team Members and Team Leaders may at anytime report to the Aboitiz Chief Compliance Officer for any violations.

I. DISCLOSURE AND TRANSPARENCY

(a) Ownership Structure

A. Holding 5% shareholding or more

Shareholder	Number of Shares	Percent	Beneficial Owner
Aboitiz & Company, Inc.	**2,735,600,915**	**49.52%**	**Aboitiz & Co., Inc.**
PCD Nominee Corp. (Filipino)	**629,529,795**	**11.33%**	**PCD participants acting for themselves or for their customers.**
PCD Nominee Corp. (Foreign)	**544,000,000**	**9.79%**	**PCD participants acting for themselves or for their customers.**
Ramon Aboitiz Foundation, Inc.	424,475,011	7.64%	Foundation

(Updated as of December 31, 2015)

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
No member of senior management is a significant shareholder of the Company	NA	NA	NA
TOTAL			

(b) Does the Annual Report disclose the following:

Key risks	Yes
Corporate objectives	Yes
Financial performance indicators	Yes
Non-financial performance indicators	Yes
Dividend policy	Yes
Details of whistle-blowing policy	Yes
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	Yes
Training and/or continuing education programme attended by each director/commissioner	Yes
Number of board of directors/commissioners meetings held during the year	Yes
Attendance details of each director/commissioner in respect of meetings held	Yes
Details of remuneration of the CEO and each member of the board of directors/commissioners	Yes

Should the Annual Report not disclose any of the above, please indicate the reason for the non-disclosure.

The foregoing information are all disclosed in the Annual Corporate Governance Report appended to the Annual Report and published on the Company website at www.aboitiz.com. **The full report of the Annual Corporate Governance Report is** circulated in digital format and published on the website.

(c) External Auditor's fee

Name of auditor	Audit Fee	Non-audit Fee
SGV & Co.	**Php409,248.00**	**Php1,948,236.00**

(Updated as of December 31, 2014)

Source: 2014 Information Statement (SEC 20-IS)

(d) Medium of Communication

List down the mode/s of communication that the company is using for disseminating information.

The Company uses the following modes of communication for disseminating information:

1. Newspaper publications
2. Company Website
3. Personal notices

4. Disclosures and corporate reports to regulatory agencies
5. Regular meetings, briefings to analysts and institutional shareholders, and shareholders and media briefings

(e) Date of release of audited financial report:

The Company's 2014 Audited Financial Statement was filed with the Bureau of Internal Revenue and the Securities and Exchange Commission on April 10, 2015, and the same was submitted as an attachment to the Company's Annual Report (Form 17-A) to the Philippine Stock Exchange on April 23, 2015.

(Updated as of September 30, 2015)

(f) Company Website

Does the company have a website disclosing up-to-date information about the following?

Business operations	Yes
Financial statements/reports (current and prior years)	Yes
Materials provided in briefings to analysts and media	Yes
Shareholding structure	Yes
Group corporate structure	Yes
Downloadable annual report	Yes
Notice of AGM and/or EGM	Yes
Company's constitution (company's by-laws, memorandum and articles of association)	Yes

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

The foregoing information are all disclosed in the Annual Corporate Governance Report appended to the Annual Report and published on the Company website at www.aboitiz.com. The full report of the Annual Corporate Governance Report is circulated in digital format and published on the Company's website.

(g) Disclosure of RPT

RPT	Relationship	Nature	Value
Service contracts at fees based on agreed rates	**Various AEV subsidiaries**	**Professional and technical assistance**	**P674,399,000.00**
Cash deposits and money market placements	**UnionBank of the Philippines (Subsidiary)**	**Interest income on deposits and money market placements**	**P19,745,000.00**
Temporary advances due to subsidiaries	**CPDC and AVI (subsidiaries)**	**Interest expense**	**P11,000,000.00**
Aviation services rendered by AEV Aviation	**ACO and other subsidiaries**	**Aviation service income**	**P20,947,000.00**
Investments in Retirement Plan	**Investments in the equities of AEV and its subsidiaries**	**Dividends**	**P739,894,000.00**

Source: Note 10 of 2014 Audited Financial Statement appended to the Annual Report (SEC Form 17A)

When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders?

The nature and extent of transactions with affiliated and related parties are disclosed annually to shareholders through the Company's Information Statement, Annual Report and Audited Financial Statements. The Company and its subsidiaries enter into related party transactions consisting of payment of shareholder advances, professional fees and rental fees. These are made on an arm's length basis and at current market prices at the time of the transactions. Service and management contracts are also entered into with subsidiaries and affiliates for corporate center services, such as human resources support services, internal audit services, legal and corporate compliance services, treasury and corporate finance services, technology infrastructure services. These services are obtained from the Company to enable the Aboitiz group of companies to realize cost synergies. The Company maintains a pool of highly qualified professionals with in-depth business expertise specific to the businesses of the AEV organization. Transactions are priced on a cost recovery basis. In addition, transaction costs are always benchmarked to third party rates to ensure competitive pricing. Service Level Commitments and Agreements are executed to ensure quality and timeliness of services.

The Company strictly adheres to the Philippine Corporation Code's rules on voting for specific corporate acts where approval of specific types of related party transactions in the Board and in shareholders' meetings may be required. The Company's Independent Directors and the Board Audit Committee play an important role in reviewing significant related party transactions as it does in the regular course of its work. The Company's related party transactions are typically agreements entered into in the ordinary course of business to maximize efficiencies and realize cost synergies. These are reported to the Board as they are entered into.

In its Regular Board Meeting last December 4, 2015, the Chairman of the Corporate Governance Committee presented to the members of the Board of Directors the draft policies on related party transactions. The Board resolved to further study the proposal by the Corporate Governance Committee before it will approve the same.

(Updated as of December 31, 2015)

J. RIGHTS OF STOCKHOLDERS

1) Right to participate effectively in and vote in Annual/Special Stockholders' Meetings

(a) Quorum

Give details on the quorum required to convene the Annual/Special Stockholders' Meeting as set forth in its By-laws.

Quorum Required	majority of the outstanding capital stock of the Company, in accordance with the Corporation Code of the Philippines

(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

System Used	Voting by poll
Description	Shareholders cast their vote on any resolution through the use of ballots.

(c) Stockholders' Rights

List any Stockholders' Rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code.

Stockholders' Rights under	Stockholders' Rights not in

The Corporation Code	The Corporation Code
The Company's shareholders have the following rights in accordance with the Corporation Code: 1. Voting right (one share- one vote) 2. Pre-emptive right 3. Power to inspect corporate books 4. Right to information 5. Right to dividends 6. Appraisal right 7. Cumulative voting right	All rights granted by the Corporation Code are likewise granted to the Company's shareholders.

Dividends

Declaration Date	Record Date	Payment Date
March 1, 2012 (regular)	March 16, 2012	April 3, 2012
March 5, 2013 (special)	March 19, 2013	April 15, 2013
March 5, 2013 (regular)	March 19, 2013	April 15, 2013
March 11, 2014 (special)	March 25, 2014	April 22, 2014
March 11, 2014 (regular)	March 25, 2014	April 22, 2014
March 10, 2015 (regular)	**March 24, 2015**	**April 20, 2015**

(d) Stockholders' Participation

1. **State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders' Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include in the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders' meetings.**

Measures Adopted	Communication Procedure
The Company ensures the presence of important resource persons during the Annual Stockholders Meeting (ASM), such as the directors, management and the external auditor, to ensure that shareholder queries are adequately answered.	Notice and agenda items are disseminated to stockholders **via publication at newspapers of general circulation, posting at the Company's website, and via courier to stockholders at their address on record with the Company.** Media briefings are likewise conducted by the Chief Executive Officer and Chief Financial Officer after the ASM.
For shareholders who fail to attend the annual meeting, a shareholders' briefing is conducted by the Company in Makati City after the annual shareholders' meeting to further encourage participation	The Notice to the ASM and proxy forms attached thereto inform the shareholders that a Stockholders' Briefing will be conducted by the Company in Makati City after the holding of the ASM. **For the year 2015, since the Company held its ASM at Makati City, in a venue that was accessible to the stockholders, the Company no longer conducted a separate stockholder's briefing.**
Publication of notices in several newspapers and the company website	All instructions disclosed for shareholders to participate actively in the ASM
Shareholders who cannot attend the ASM may vote in absentia through proxies	Proxies are sent out by the Company together with the Notice to the ASM. Proxies are likewise made available **or downloadable** in the

	company website.
The Board Corporate Governance Committee conducts a post-ASM assessment where the directors review the feedback from the stockholders based on the comments made during the ASM itself, or in the assessment forms circulated to the stockholders and other attendees to the ASM.	**The stockholders usually ask questions during the ASM itself or after the ASM, either to the Company's officers, directors, or to the ASM staff. The stockholders and other attendees are also asked to fill up the assessment forms distributed after the ASM. The results of the assessment forms are discussed by the Board Corporate Governance Committee and taken up by the Board of Directors whenever necessary. .**

2. State the company policy of asking shareholders to actively participate in corporate decisions regarding:

a. Amendments to the company's constitution
b. Authorization of additional shares
c. Transfer of all or substantially all assets, which in effect results in the sale of the company

The Company, through notices, newspaper publications, and postings in the company website, analysts briefings, media briefings, shareholders' briefings, and disclosures to the PSE and SEC, as the case may be, ensures the right of shareholders to participate in decisions concerning fundamental corporate changes in compliance with the Corporation Code, such as amendments of the Company's Articles of Incorporation and By-Laws, issuance of new shares of stock, and sale of all or substantially all corporate properties.

3. Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up?

a. Date of sending out notices:

The notice to the Company's ASM last May 18, 2015 was published on April 17, 2015 in newspapers of general circulation, namely the Philippine Daily Inquirer, Philippine Star and Business Mirror. Notices were also sent out on April 22, 2015 via courier to stockholders based on their address on record with the Company.

b. Date of the Annual/Special Stockholders' Meeting:

May 18, 2015

4. State, if any, questions and answers during the Annual/Special Stockholders' Meeting.

During Annual Stockholders' Meeting on May 18, 2015, the following matters were raised:

a. Mr. Guillermo Gili informed the Board of his pending request for upliftment of his UnionBank shares of stock. The matter was raised to director Mr. Justo A. Ortiz, Chairman and CEO of UnionBank, who will look into the matter. Mr. Jon Ramon Aboitiz thanked Mr. Gili for bringing the matter to the Board's attention.

b. Mr. Jose Ferrer asked about the damage caused by the Mindanao blackout in the boiler of Unit 2 of TSI's plant in Davao. Mr. Antonio Moraza, President and COO of AboitizPower, clarified that the system-wide blackout in Mindanao caused damage to equipment being installed in the plant when the safety equipment did not work properly.

Mr. Ferrer further inquired about the spike in the electricity rates at the end of 2013. Mr. Moraza discussed that cases are pending at the Supreme Court and the ERC regarding this matter and none has yet been resolved, and also clarified that the customers have been refunded. Mr. Erramon I. Aboitiz added that with respect to the fine being imposed by PEMC on Therma Mobile for alleged violation of the must offer rule, the matter is still being contested and the trial court meanwhile has issued a preliminary injunction on PEMC's imposition of the fine.

5. **Results of the 2015 Annual Stockholders' Meeting's Resolutions**

Resolution	Approving	Dissenting	Abstaining
Resolution No. 2015-1 **"RESOLVED, that the stockholders of Aboitiz Equity Ventures, Inc. (the "Company") approve, as it hereby approves the Annual Report and Audited Financial Statements of the Company as of December 31, 2014, and the President's Report."**	**4,873,928,436**	**0**	**2,421,853**
Resolution No. 2015-2 **"RESOLVED, that the stockholders of Aboitiz Equity Ventures, Inc. (the "Company") approve, as it hereby approves the delegation of the authority to elect the Company's external auditor for 2015 to the Board of Directors."**	**4,668,317,746**	**121,049,000**	**86,983,543**
Resolution No. 2015-3 **"RESOLVED, that the stockholders of Aboitiz Equity Ventures, Inc. (the "Company") approve, ratify and confirm, as it hereby approves, ratifies and confirms all contracts, investments and resolutions issued and all other acts and proceedings of the Board of Directors, Corporate Officers and Management of the Company for the past year 2014 and including all acts up to May 18, 2015."**	**4,873,755,169**	**0**	**2,595,120**
Resolution No. 2015-4 **"RESOLVED, that the stockholders of Aboitiz Equity Ventures, Inc. (the "Company") approve, as it hereby approves the increase in the monthly allowance of members of the Board of Directors, from One Hundred Thousand Pesos (Php100,000.00) to One Hundred Twenty Thousand Pesos (Php120,000.00), and the Chairman of the Board of Directors, from One Hundred Fifty Thousand Pesos (Php150,000.00) to One Hundred Eighty Thousand Pesos (Php180,000.00)."**	**4,875,540,286**	**0**	**810,003**
Resolution No. 2015-5 **"RESOLVED, that the stockholders of Aboitiz Equity Ventures, Inc. (the**	**4,585,069,846**	**290,337,170**	**943,270**

"Company") approve as it hereby approves the renewal of the delegated authority to the Board of Directors to amend or repeal the Company's By Laws or adopt new By-Laws."			

6. **Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:**

   The results of the votes taken during the May 18, 2015 Annual Stockholders Meeting were posted in the Company's website on May 20, 2015.

(e) Modifications

State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification:

Modifications	Reason for Modification
For the 2015 ASM, the Company appointed an independent party, Luis Canete & Co., as the Company's Independent Board of Election Inspectors to validate the registration process and results of the voting during the ASM.	To adopt best corporate governance practices.

(f) Stockholders' Attendance

(i) Details of Attendance in the Annual/Special Stockholders' Meeting Held:

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
Annual Stockholders' Meeting Directors present during the 2015 Annual Stockholders' Meeting	1. Mr. Jon Ramon Aboitiz - Chairman, Board of Directors and Board Corporate Governance Committee/ Member, Board Risk Management Committee 2. Mr. Erramon I. Aboitiz - President & Chief Executive Officer/ Member, Board Risk and Reputation Management Committee 3. Mr. Enrique M.	May 18, 2015	Proxy and by poll	0.49%	87.48%	87.96%

	Aboitiz - Chairman, Board Risk Management Committee **4. Antonio R. Moraza Director** **5. Mr. Justo A. Ortiz - Member, Board Audit Committee and Board Risk Management Committee** **6. Roberto E. Aboitiz Member, Board Corporate Governance Committee/ Member, Board Audit Committee** **7. Justice Jose C. Vitug (ret.) - Independent Director/ Member, Board Corporate Governance Committee/ Chairman, Board Audit Committee** **8. Mr. Stephen CuUnjieng - Independent Director/ Member, Board Corporate Governance Committee, Board Risk Management Committee and Board Audit Committee** **9. Mr. Raphael P.M. Lotilla – Independent Director/**					

	Member, Board Corporate Governance Committee/Member, Board Audit Committee					
Officers present during the 2015 Annual Stockholders' Meeting	**1. Luis Miguel O. Aboitiz** **2. Sabin M. Aboitiz** **3. Catherine R. Atay** **4. Román V. Azanza III** **5. Melinda R. Bathan** **6. Juan Antonio E. Bernad** **7. Jerome J.N. Cachau** **8. Martina Michaela Dampf** **9. Ellen Nikoline B. Felding** **10. Ricardo F. Lacson, Jr.** **11. Gabriel T. Mañalac** **12. Robert McGregor** **13. Annacel A. Natividad** **14. Jasmine S. Oporto** **15. Stephen G. Paradies** **16. William W. Paradies** **17. Aylmerita C. Peñaloza** **18. Marilou P. Plando** **19. Susan S. Policarpio** **20. Ronaldo S. Ramos** **21. Susan V. Valdez** **22. Dave Michael Valeriano**					
Special Stockholders'	**No Special Stockholders' Meeting was held**					

Meeting	**during the year 2015.**					

(ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs?

The Company appointed an independent party, Luis Canete & Co., as the Company's Independent Board of Election Inspectors to validate the registration process and to count the votes for the May 18, 2015 Annual Stockholders' Meeting.

(iii) Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares.

The share capital of the Company consists of one class of listed common shares and a class of non-listed preferred shares. All common shares are voting following the rule of One share - One vote. The preferred shares are non-voting, non-participating, non-convertible, cumulative, re-issuable shares and may be issued from time to time by the Board in one or more series. These preferred shares which are issued to financial institutions or financial market intermediaries are treated as debt instruments by the Company in its books in conformity with the Philippine Accounting Standards (which adopt the International Financial Reporting Standards.

(g) Proxy Voting Policies

State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders' Meeting.

	Company's Policies
Execution and acceptance of proxies	The Office of the Corporate Secretary accepts and validates the proxies.
Notary	Proxy is not required to be notarized.
Submission of Proxy	A deadline is set by the Corporate Secretary in the submission of proxies which is seven (7) days prior to the opening of the meeting, in accordance with the Company's By-laws.
Several Proxies	There is no occasion to require several proxies since all items requiring the vote of a particular stockholder are already set out in the proxy. Several proxies received from the same stockholder pertaining to the same shares shall be subject to validation by the Office of the Corporate Secretary.
Validity of Proxy	A proxy shall be valid only when received by the Corporate Secretary on or before the deadline, at least seven (7) days before the ASM.
Proxies executed abroad	Proxies executed locally or abroad have the same effect.
Invalidated Proxy	Invalidated proxies do not carry any force or effect.
Validation of Proxy	The validation of proxies is done by the Office of the Corporate Secretary and the Proxy Validation Committee.
Violation of Proxy	Votes through proxies are tabulated to ensure that the votes therein are followed.

(h) Sending of Notices

State the company's policies and procedure on the sending of notices of Annual/Special Stockholders' Meeting.

Policies	Procedure
The Company gives the shareholders sufficient time to go over information in the Notice to the ASM and to contact their proxies for appropriate instructions.	The Company consistently provides all shareholders with the notice and agenda of the annual general meeting at least thirty (30) days before a regular meeting and twenty (20) days before a special meeting. The Company also publishes Notices of Shareholders' Meetings in national newspapers of general circulation. Under the Company's By-Laws, shareholders may call a special shareholders' meeting, submit a proposal for consideration at the annual general membership or the special meeting.

(i) Definitive Information Statements and Management Report

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	Total: **9,439** Active shareholders given copies: **4,998** PCD Nominees were given copies **through PDTC for distribution to the** shareholders.
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	**April 22, 2015**
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	**April 22, 2015**
State whether CD format or hard copies were distributed	Both digital format and printed copies were distributed. Copies of the Definitive Information Statement is also available at the Company's website.
If yes, indicate whether requesting stockholders were provided hard copies	Digital copies: **4,682** Printed copies: **235** E-mail: **81**

(Updated as of December 31, 2015)

(j) Does the Notice of Annual/Special Stockholders' Meeting include the following:

Each resolution to be taken up deals with only one item.	Yes
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	Yes
The auditors to be appointed or re-appointed.	No
An explanation of the dividend policy, if any dividend is to be declared.	Yes
The amount payable for final dividends.	Yes
Documents required for proxy vote.	Yes

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

The authority to appoint the Company's external auditors for 2015-2016 was delegated by the shareholders to the Board of Directors **to allow the Board Audit Committee sufficient time to evaluate, select, and recommend to the Board an external auditor which, in its opinion, can best provide the directors and shareholders assurance on the integrity of the Company's Financial statements and adequacy of its internal controls in the face of evolving governance standards**. At the time of the ASM, the external auditors to be appointed by the Company was not yet identified. **In its meeting dated July 29, 2015, upon the recommendation of the Board Audit Committee, the Board of Directors appointed SGV & Co. as the Company's external auditor for the year 2015. The appointment of the Company's external auditor was disclosed with the Philippine Stock Exchange and reported to the SEC.**

2) Treatment of Minority Stockholders

(a) State the company's policies with respect to the treatment of minority stockholders.

The By-laws and Amended Manual of Corporate Governance of the Company provide for the policies below:

Policies	Implementation
A director shall not be removed without cause if it will deny minority shareholders representation in the Board.	The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.
The minority shareholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes.	The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.
The minority shareholders shall have access to any and all information relating to matters for which the management is accountable for and to those relating to matters for which the management shall include such information and, if not included, then the minority shareholders shall be allowed to propose to include such matters in the agenda of shareholders' meeting, being within the definition of "legitimate purposes".	Upon request made to the Investor Relations Officer and/or to the Office of the Corporate Secretary, a minority shareholder may request for information or documents relating to matters for which the management shall include such information and, if not included, then the minority shareholders shall be allowed to propose to include such matters in the agenda of shareholders' meeting, being within the definition of "legitimate purposes". The Compliance Officer is responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.
Although all shareholders should be treated equally or without discrimination, the Board should give minority shareholders, in accordance with the By-laws, the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of AEV.	The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.

Source: Amended Manual of Corporate Governance

(b) Do minority stockholders have a right to nominate candidates for board of directors?

The Company's Guidelines for the Nomination and Election of Independent Directors approved in 2007 allows minority shareholders to nominate candidates for the board of directors within the period provided under the By-laws and the guidelines promulgated by the Board Corporate Governance Committee. This policy is reiterated to stockholders every Annual Stockholders Meeting.

K. INVESTORS RELATIONS PROGRAM

1) Discuss the company's external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to a committee.

Pursuant to the corporate governance principle of disclosure and transparency, information on the Company is made readily available. The Company provides shareholders with periodic reports that include information about the Board of Directors and key officers, including relevant professional information on the Directors and Officers, their shareholdings and dealings with the Company and their aggregate compensation.

The Investor Relations Officer and the Office of the Corporate Secretary have an established communications strategy and protocols to promote effective communication and liaison with shareholders.

Annual reports and financial statements of the Company may be secured without cost or restrictions and these are also available at the Company's website.

1. The Investor Relations Officer communicates with institutional investors through the Company's webpage, e-mail, and conference calls. In addition, the Investor Relations Officer communicates with investors through comprehensive reports on its operations, particularly the Company's Report to Stockholders in the Annual Report and through its investors' briefings, investor conferences, non-deal road shows and one-on-one meetings.
2. The Chief Reputation Officer approves corporate announcement after consensus with the Chief Executive Officer and Chief Financial Officer.
3. The Chief Compliance Officer approves all disclosures.
4. The Board of Directors has oversight on matters which are disclosed.

In the case of internal communication, the Company has adopted, through its Reputation Management Department, an Internal Communication Flow Policy to ensure relevant and crucial information is shared across the Aboitiz Group and provided to key stockholders in a timely and orderly manner.

2) Describe the company's investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.

	Details
(1) Objectives	The Investor Relations Office assures shareholders and investors of an easy and direct access to officially designated spokespersons for clarifying information and issues as well as dealing with investor concerns.
(2) Principles	The Company believes in the value of its shareholders and ensures that its shareholders and investors receive timely, relevant, balanced, high-quality and understandable information about the Company.

(3) Modes of Communications	The Company's commitment to its shareholders is reiterated annually through its comprehensive reports on its operations, particularly the Company's Report to Stockholders in the Annual Report and through its investors' briefings, investor conferences, non-deal road shows and one-on-one meetings. The Company continually plans website content management initiatives to regularly keep its shareholders updated with the latest Company developments. **Schedule of 2015 Analysts' Briefings:** **March 11, 2015 - Analysts' Briefing for FY 2014 results** **May 8, 2015 - Analysts' Briefing for 1Q 2015 results** **July 30, 2015 - Analysts' Briefing for 2Q/1H 2015 results** **October 28, 2015 - Analysts' Briefing for 3Q/9M 2015 results**
(4) Investors Relations Officer	**Investor Relations** Mr. Judd Salas Aboitiz Equity Ventures, Inc. Tel (632) 886 -2702 Email: aev_investor@aboitiz.com www.aboitiz.com

3) What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets?

The Company ensures the right of shareholders to participate in decisions concerning fundamental corporate changes in compliance with the provisions of the Corporation Code, such as amendments of the Company's Articles of Incorporation and By-Laws, issuance of new shares of stock, and sale of all or substantially all corporate properties. Moreover, in the event of mergers/acquisitions or takeovers, stockholders have the right to approve or reject the same in accordance with the requirements of the Corporation Code.

Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price.

The Company engages, when necessary, the services of an independent consultant or financial advisor who are experts in their fields.

L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Discuss any initiative undertaken or proposed to be undertaken by the company.

Aboitiz Foundation, Inc., the foundation through which the Aboitiz Group undertakes their Corporate Social Responsibility initiatives, has contributed in social development projects in the year 2014, including among the numerous activities, the following highlights:

Initiative	Beneficiary
Priority programs in infrastructure building, scholarship programs and asset donations.	**In 2014, the Aboitiz Foundation surpassed its target of repairing and constructing a total of 200 classrooms that were hard-hit by super typhoon Yolanda in the Towns of Bogo and San Remigio in Northern Cebu, Philippines, turning over in November 12, 2014 a total of 157 repaired and 70 newly constructed classrooms that will benefit 15,000 students. In**

	the more recent devastation caused by Typhoon Ruby in December 2014, the Foundation mobilized teams to distribute relief packs to more than 5,300 affected families in Northern Cebu, Mindoro Central, and Batangas. AEV and AboitizPower team members participated in these CSR efforts.
Focus on education, enterprise development, and environment.	**Through its commitment to give back to the community, the Foundation through the Company's employees and the employees of other Business Units continued with other projects such as Christmas Outreach and the Brigada Eskwela. The Brigada Eskwela is an annual program to refurbish public schools' infrastructure for incoming students.** **The Aboitiz Group is working together with donors in the private sector, to support the Philippine Government in its efforts to reduce weather-related disaster risks in the country through Weather Philippines Foundation. The Aboitiz Group co-founded WeatherPhilippines to operate a premiere weather forecasting system across the country with the installation of automated weather stations (AWS) across the country. WeatherPhilippines secured its accreditation from the Philippine Council for NGO and from the Bureau of Internal Revenue as a donee institution in 2014.** **In 2014, the Aboitiz Group exceeded its target to plant three million trees nationwide, one year ahead of schedule. With the achievement of the three million trees target, the Aboitiz Group is now doubling its target to six million trees planted by 2020, or a total of nine million trees planted by 2020, firming up its commitment to build a BetterWorld through sustainable environmental practices.**
#Bangon Visayas Disaster Relief Operations	**The Foundation raised a total of Php264 mn for its Yolanda relief efforts from its #BangonVisayas campaign, Php194 mn of which was allocated to the schools rehabilitation program. The campaign mobilized 5,000 volunteers for the assembly and distribution of 52,000 relief packs and 14,000 hygiene kits benefitting 106 barangays and restored a total of 1,209 electric posts in Cebu and Leyte. The Company, and its subsidiaries participated in both the funding, and the relief and rehabilitation efforts of the Foundation. The AboitizPower distribution group also played a major role in the joint Typhoon Yolanda rehabilitation efforts of the Company, more particularly in the re-installation of distribution poles and lines in Ormoc City and Northern Cebu.**
Sustainability Practices	**The Aboitiz Group is committed to the environment by creating a sustainability mindset across the Group. The Group doubled its target of planting trees to six million trees by 2020, as it surpassed its three million trees target one year ahead of schedule in 2014, and firmed up its commitment to build a BetterWorld through sustainable environmental practices. In the same year, the Aboitiz Group obtained Global Reporting Initiative (GRI)- Checked Level B Certification for its 2013 Sustainability Report covering 52 performance indicators. For its 2014 Sustainability Report, the Company has adopted the GRI G4 reporting framework, which will allow it to focus reporting on what is critical and material to its business and stakeholders.**

(Updated as of December 31, 2014)

M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President.

	Process	Criteria
Board of Directors	Annually distributed to the Board to determine the Board's strengths and weaknesses. The performance appraisal on the individual director, the CEO/ President, or the Board, as the case may be, is collated by Board Secretariat. The results of the appraisal are then discussed by the Board Corporate Governance Committee. Any issues arising from the discussion of the Committee is submitted to the members of the Board of Directors which shall address the issues.	Rating is conducted on the following areas: I. Functions of the Board II. The Board and the Company Senior Management III. Board Meetings and Facilities IV. Board Composition V. Board Committees
Board Committees	Performance appraisal for the Board Committees is conducted annually. The performance appraisal on the individual director, the CEO/ President, or the Board, as the case may be, is collated by Board Secretariat. The results of the appraisal are then discussed by the Board Corporate Governance Committee. Any issues arising from the discussion of the Committee is submitted to the members of the Board of Directors which shall address the issues.	Rating is conducted on the following areas: I. Setting of Committee Structure and Operation II. Oversight on Financial Reporting and Disclosures III. Oversight on Risk Management and Internal Controls IV. Oversight on Management and Internal Audit V. Oversight on External Audit
Individual Directors	Annual appraisal to each member of the Board to determine each member's strengths and weaknesses. The performance appraisal on the individual director, the CEO/ President, or the Board, as the case may be, is collated by Board Secretariat. The results of the appraisal are then discussed by the Board Corporate Governance Committee. Any issues arising from the discussion of the Committee is submitted to the members of the Board of Directors which	Rating is conducted on the following areas: I. Company Policies II. Attendance and Participation III. Performance The assessment form likewise contains specific questions for executive directors, independent directors and Chairmen of Board Committees.

	shall address the issues.	
CEO/President	Annual appraisal to each member of the Board to determine the CEO's strengths and weaknesses. The performance appraisal on the individual director, the CEO/ President, or the Board, as the case may be, is collated by Board Secretariat. The results of the appraisal are then discussed by the Board Corporate Governance Committee. Any issues arising from the discussion of the Committee is submitted to the members of the Board of Directors which shall address the issues.	Rating is conducted on the following areas: I. Personal Qualities II. Leadership Skills III. Managerial Skills: Building Commitment IV. Managerial Skills: Ensuring Execution V. Board Relations VI. Financial Management VII. Overall Performance The assessment form likewise inquires about the CEO's major accomplishments and developmental needs.

N. INTERNAL BREACHES AND SANCTIONS

Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees

Violations	Sanctions
Violation of any provision of the Company's Manual of Corporate Governance	In the case of a first violation, the subject person shall be reprimanded. Suspension from office shall be imposed in the case of a second violation. The duration of the suspension shall depend on the gravity of the violation. For a third violation, the maximum penalty of removal from office shall be imposed.
Violation of the Company's Code of Ethics and Business Conduct	The Code forms part of the terms and conditions of employment at the Company. Employees, officers and directors are expected to cooperate in internal investigations of allegations of violations of the Code, and actual violations may subject to concerned employee to the full range of disciplinary action by the Company. The Company may also report certain activities to its regulators, which could give rise to regulatory or criminal investigations. The penalties for regulatory and criminal violations may include significant fines, permanent bar from employment in the securities industry and, for criminal violations, imprisonment.

Source: Amended Manual of Corporate Governance
Code of Ethics and Business Conduct

Sources:

2014 Annual Report (SEC Form 17-A)
2014 Definitive Information Statement (SEC Form 20-IS)

2015 Director Nomination Form
2014 Sustainability Report
2014 Aboitiz Foundation Annual Report
Latest Articles of Incorporation and By-Laws
Revised Manual of Corporate Governance
Code of Ethics and Business Conduct
Board Protocols
Guidelines for the Nomination of Independent Directors
Audit Committee Charter
Whistle Blowing Policy

The above corporate reports and company policies are accessible from the Corporate Governance portion of the Company's website at www.aboitiz.com.

Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of _____ on_____, 20___.

SIGNATURES

JON RAMON ABOITIZ	ERRAMON I. ABOITIZ
Chairman of the Board	**Chief Executive Officer**
JOSE C. VITUG	STEPHEN T. CuUNJIENG
Independent Director	**Independent Director**
RAPHAEL P.M. LOTILLA	M. JASMINE S. OPORTO
Independent Director	**Chief Compliance Officer**

SUBSCRIBED AND SWORN to before me this _____ day of _____20__ , affiant(s) exhibiting to me their _____, as follows:

NAME/NO.	DATE OF ISSUE	PLACE OF ISSUE

NOTARY PUBLIC

Doc No._____
Page No._____
Book No._____
Series of _____

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

FS FOR FILING WITH SEC
AFTER THE BIR HAS DULY STAMPED "RECEIVED."

SEC Registration Number

C	E	0	2	5	3	6				

COMPANY NAME

ABOITIZ EQUITY VENTURES, INC.

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

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

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	CFD	-NA-

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
Aboitiz.com.ph	(032) 411-1800	0917-7265728

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
9,328	May 16	December 31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Melinda R. Bathan	melinda.bathan@aboitiz.com	(032) 411-1710	Not available

CONTACT PERSON's ADDRESS

c/o Aboitiz Equity Ventures, Inc. - 32nd Street, Bonifacio Global City, Taguig City, Metro Manila, Philippines

NOTE 1 : In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2 : All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

SEC
Cebu Extension Office
APR 13 2016
By:
RECEIVED SUBJECT TO REVIEW OF FORM AND CONTENTS

aboitiz
Equity Ventures

SECURITIES & EXCHANGE COMMISSION
SEC Building, EDSA Greenhills
Mandaluyong, Metro Manila

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The management of **Aboitiz Equity Ventures, Inc. (Parent)** is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2015 and 2014, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements and submit the same to the stockholders.

Sycip Gorres Velayo & Co., the independent auditors, appointed by the stockholders for the period December 31, 2015 and 2014 has examined the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

ON RAMON M. ABOITIZ
Chairman of the Board

ERRAMON I. ABOITIZ
President & Chief Executive Officer

MANUEL R. LOZANO
Senior Vice President - Chief Financial Officer

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS DIVISION-CEBU
RECEIVED
APR 13 2016
DOCK SECTION INITIAL

Signed this 8th day of March, 2016.

aboitiz
Equity Ventures

Republic of the Philippines)
Taguig City) S.S.

Before me, a notary public in and for the city named above, personally appeared:

Name	Passport/CTC	Date/Place Issued
Jon Ramon M. Aboitiz	EB9718353	November 29, 2013, Cebu City
	02217649	February 10, 2016, Cebu City
Erramon I. Aboitiz	EB7151577	January 14, 2013, Cebu City
	02252882	January 26, 2016, Cebu City
Manuel R. Lozano	EC1926563	August 18, 2014, NCR South
	05092418	January 15, 2016, Makati City

who are personally known to me and to me known to be the same persons who presented the foregoing instrument and signed the instrument in my presence, and who took an oath before me as to such instrument.

Witness my hand and seal this _____ day MAR 15 2016 _____ 2016.

Doc. No. 473;
Page No. 96;
Book No. III;
Series of 2016.

ATTY. JOYCE GRACE B. CASAS
ROLL NO. 61486
NOTARY PUBLIC
PASIG, TAGUIG, SAN JUAN, PATEROS CITY, PHILS.

Joyce Grace B. Casas
Notary Public for Taguig City
Notarial Commission No. 271
Until December 31, 2016
NAC Tower, 32nd Street, Bonifacio Global City, Taguig City
PTR No. A-2626644; Taguig City; January 04, 2016
IBP No. 1017212; January 04, 2016; Taguig City
Roll No. 61486
MCLE No. V-0014277

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS DIVISION-CEBU
RECEIVED
APR 13 2016
DPG & SECTION INITIAL

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Aboitiz Equity Ventures, Inc.
32nd Street, Bonifacio Global City
Taguig City, Metro Manila, Philippines

Report on the Parent Company Financial Statements

We have audited the accompanying parent company financial statements of Aboitiz Equity Ventures, Inc., which comprise the parent company balance sheets as at December 31, 2015 and 2014, and the parent company statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2015, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Parent Company Financial Statements

Management is responsible for the preparation and fair presentation of these parent company financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of parent company financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these parent company financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the parent company financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the parent company financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the parent company financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the parent company financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the parent company financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Building a better working world

Opinion

In our opinion, the parent company financial statements present fairly, in all material respects, the financial position of Aboitiz Equity Ventures, Inc. as at December 31, 2015 and 2014, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2015 in accordance with Philippine Financial Reporting Standards.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information under Revenue Regulations 15-2010 in Note 23 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic parent company financial statements. Such information is the responsibility of the management of Aboitiz Equity Ventures, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic parent company financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic parent company financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Leovina Mae V. Chu

Leovina Mae V. Chu
Partner
CPA Certificate No. 99910
SEC Accreditation No. 1199-AR-1 (Group A),
June 22, 2015, valid until June 21, 2018
Tax Identification No. 209-316-911
BIR Accreditation No. 08-001998-96-2015,
January 5, 2015, valid until January 4, 2018
PTR No. 5321709, January 4, 2016, Makati City

March 8, 2016

ABOITIZ EQUITY VENTURES, INC.
PARENT COMPANY BALANCE SHEETS

	December 31	
	2015	2014
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4 and 10)	**₱7,055,736,475**	₱4,395,121,636
Trade and other receivables (Notes 5 and 10)	**551,676,724**	437,692,790
Other current assets (Note 6)	**653,020,620**	539,453,896
Total Current Assets	**8,260,433,819**	5,372,268,322
Noncurrent Assets		
Investments and advances (Notes 7 and 8)	**58,368,657,810**	32,732,718,166
Available-for-sale (AFS) investments (Note 21)	**34,173,973**	49,374,064
Property and equipment (Note 11)	**238,740,670**	252,723,316
Pension asset (Note 18)	**–**	54,881,942
Deferred income tax assets	**50,253,601**	7,153,113
Other noncurrent assets (Notes 15 and 16)	**271,743,225**	151,416,119
Total Noncurrent Assets	**58,963,569,279**	33,248,266,720
TOTAL ASSETS	**₱67,224,003,098**	₱38,620,535,042
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Notes 9 and 12)	**₱688,366,005**	₱263,970,082
Current portion of long-term debts (Note 12)	**–**	1,188,000,000
Total Current Liabilities	**688,366,005**	1,451,970,082
Noncurrent Liabilities		
Long-term debts - net of current portion (Note 12)	**32,000,000,000**	8,000,000,000
Pension liability (Note 18)	**117,157,830**	–
Total Noncurrent Liabilities	**32,117,157,830**	8,000,000,000
Equity		
Capital stock (Note 13)	**5,694,599,621**	5,694,599,621
Additional paid-in capital (Note 13)	**7,363,524,109**	6,591,000,759
Net unrealized mark-to-market gains on AFS investments	**6,531,468**	7,795,059
Actuarial losses on defined benefit plan (Note 18)	**(193,888,828)**	(92,422,832)
Retained earnings (Notes 14 and 22)	**22,613,298,016**	18,145,989,579
Treasury stock at cost (Note 13)	**(1,065,585,123)**	(1,178,397,226)
Total Equity	**34,418,479,263**	29,168,564,960
TOTAL LIABILITIES AND EQUITY	**₱67,224,003,098**	₱38,620,535,042

See accompanying Notes to Parent Company Financial Statements.

ABOITIZ EQUITY VENTURES, INC.

PARENT COMPANY STATEMENTS OF INCOME

	Years Ended December 31		
	2015	2014	2013
REVENUE			
Dividend income	**₱12,295,568,949**	₱13,780,057,174	₱11,610,171,596
Management, professional and technical fees (Note 10)	**953,850,499**	703,520,763	627,095,732
	13,249,419,448	14,483,577,937	12,237,267,328
COST OF SERVICES (Note 15)	**561,290,344**	444,523,504	510,100,283
GROSS PROFIT	**12,688,129,104**	14,039,054,433	11,727,167,045
General and administrative expenses (Notes 10 and 16)	**(615,042,504)**	(405,495,165)	(259,246,085)
Interest expense (Note 12)	**(917,675,726)**	(459,930,091)	(157,754,086)
Interest income (Notes 4, 5 and 10)	**192,806,908**	70,991,349	27,882,051
	(1,339,911,322)	(794,433,907)	(389,118,120)
OTHER INCOME (CHARGES)			
Gain (loss) on sale of:			
Investment in a subsidiary (Note 7)	**–**	375,201,281	2,543,274,876
Property and equipment	**(257,651)**	1,024,839	1,906,264
Service income	**101,648,163**	97,004,887	14,100,254
Rent income	**4,569,286**	4,385,092	1,604,099
Foreign exchange losses - net	**(22,202,247)**	(7,403,079)	(27,472)
Reversal of impairment on (write-off of) investments and advances, project costs and other assets (Note 7)	**(884,455,513)**	(36,735,025)	26,225,046
Others	**110,251,641**	107,700,541	74,458,058
	(690,446,321)	541,178,536	2,661,541,125
INCOME BEFORE INCOME TAX	**10,657,771,461**	13,785,799,062	13,999,590,050
PROVISION FOR INCOME TAX (Note 19)	**36,992,868**	9,272,226	385,894
NET INCOME	**₱10,620,778,593**	₱13,776,526,836	₱13,999,204,156

See accompanying Notes to Parent Company Financial Statements.

ABOITIZ EQUITY VENTURES, INC.

PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2015	2014	2013
NET INCOME	**₱10,620,778,593**	₱13,776,526,836	₱13,999,204,156
OTHER COMPREHENSIVE INCOME (LOSS)			
Item that may be reclassified subsequently to statements of income:			
Net unrealized mark-to-market gains (losses) on AFS investments	**(1,263,591)**	2,145,721	343,096
Item that will not be reclassified to statements of income:			
Actuarial losses on defined benefit plan (Note 18)	**(144,951,423)**	(35,139,420)	(40,228,783)
Income tax effect	**43,485,427**	10,541,826	12,068,635
	(101,465,996)	(24,597,594)	(28,160,148)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**₱10,518,049,006**	₱13,754,074,963	₱13,971,387,104

See accompanying Notes to Parent Company Financial Statements.

ABOITIZ EQUITY VENTURES, INC.

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013

	Capital Stock (Note 13)	Additional Paid-in Capital (Note 14)	Net Unrealized Mark-to-Market Gains on AFS Investments	Actuarial Losses on Defined Benefit Plan	Retained Earnings (Note 14)	Treasury Stock (Note 13)	Total
Balances at January 1, 2013	₱5,694,599,621	₱5,790,913,585	₱5,306,242	(₱39,665,090)	₱11,353,371,505	(₱1,295,163,309)	₱21,509,362,554
Net income for the year	–	–	–	–	13,999,204,156	–	13,999,204,156
Movement of net unrealized mark-to-market gains on AFS investments	–	–	343,096	–	–	–	343,096
Movement of actuarial losses on defined benefit plan	–	–	–	(28,160,148)	–	–	(28,160,148)
Total comprehensive income for the year	–	–	343,096	(28,160,148)	13,999,204,156	–	13,971,387,104
Cash dividends - ₱2.00 per common share (Note 14)	–	–	–	–	(11,043,743,640)	–	(11,043,743,640)
Balances at December 31, 2013	₱5,694,599,621	₱5,790,913,585	₱5,649,338	(₱67,825,238)	₱14,308,832,021	(₱1,295,163,309)	₱24,437,006,018
Balances at January 1, 2014	₱5,694,599,621	₱5,790,913,585	₱5,649,338	(₱67,825,238)	₱14,308,832,021	(₱1,295,163,309)	₱24,437,006,018
Net income for the year	–	–	–	–	13,776,526,836	–	13,776,526,836
Movement of net unrealized mark-to-market gains on AFS investments	–	–	2,145,721	–	–	–	2,145,721
Movement of actuarial losses on defined benefit plan	–	–	–	(24,597,594)	–	–	(24,597,594)
Total comprehensive income for the year	–	–	2,145,721	(24,597,594)	13,776,526,836	–	13,754,074,963
Sale of treasury shares	–	800,087,174	–	–	–	116,766,083	916,853,257
Cash dividends - ₱1.80 per common share (Note 14)	–	–	–	–	(9,939,369,278)	–	(9,939,369,278)
Balances at December 31, 2014	₱5,694,599,621	₱6,591,000,759	₱7,795,059	(₱92,422,832)	₱18,145,989,579	(₱1,178,397,226)	₱29,168,564,960
Balances at January 1, 2015	₱5,694,599,621	₱6,591,000,759	₱7,795,059	(92,422,832)	₱18,145,989,579	(₱1,178,397,226)	₱29,168,564,960
Net income for the year	–	–	–	–	10,620,778,593	–	10,620,778,593
Movement of net unrealized mark-to-market gains on AFS investments	–	–	(1,263,591)	–	–	–	(1,263,591)
Movement of actuarial losses on defined benefit plan	–	–	–	(101,465,996)	–	–	(101,465,996)
Total comprehensive income for the year	–	–	(1,263,591)	(101,465,996)	10,620,778,593	–	10,518,049,006
Sale of treasury shares	–	772,523,350	–	–	–	112,812,103	885,335,453
Cash dividends - ₱1.11 per common share (Note 14)	–	–	–	–	(6,153,470,156)	–	(6,153,470,156)
Balances at December 31, 2015	₱5,694,599,621	₱7,363,524,109	₱6,531,468	(₱193,888,828)	₱22,613,298,016	(₱1,065,585,123)	₱34,418,479,263

See accompanying Notes to Parent Company Financial Statements.

ABOITIZ EQUITY VENTURES, INC.

PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱10,657,771,461**	₱13,785,799,062	₱13,999,590,050
Adjustments for:			
Interest expense (Note 12)	**917,675,726**	459,930,091	157,754,086
Write-off of (reversal of impairment on) investments and advances, project costs and other assets	**884,455,513**	36,735,025	(26,225,046)
Depreciation and amortization (Note 11)	**57,833,989**	49,646,277	37,835,228
Amortization of computer software (Notes 15 and 16)	**2,059,966**	3,704,046	5,527,101
Loss (gain) on sale of:			
Property and equipment	**257,651**	(1,024,838)	(1,906,264)
Investment in subsidiaries and an associate (Note 7)	**–**	(375,201,281)	(2,543,274,876)
Unrealized foreign exchange loss (gain)	**6,714**	(166,578)	58,746
Interest income (Notes 4 and 10)	**(192,806,908)**	(70,991,349)	(27,882,051)
Operating income before working capital changes	**12,327,254,112**	13,888,430,455	11,601,476,974
Decrease (increase) in:			
Trade and other receivables	**(99,545,917)**	(122,459,990)	1,194,440,608
Other operating assets	**(113,566,723)**	(49,779,017)	(136,868,875)
Increase (decrease) in:			
Accounts payable and accrued expenses	**19,474,665**	29,583,525	63,866,153
Other operating liabilities	**172,039,772**	–	–
Net cash flows generated from operations	**12,305,655,909**	13,745,774,973	12,722,914,860
Income and final taxes paid	**(36,607,930)**	(17,998,425)	(7,786,794)
Net cash flows from operating activities	**12,269,047,979**	13,727,776,548	12,715,128,066
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	**188,217,299**	67,485,232	23,632,614
Proceeds from sale of:			
Investment in subsidiaries and an associate (Notes 7 and 8)	**40,000,000**	977,763,956	3,146,414,418
Property and equipment	**1,243,506**	2,467,239	6,253,348
Decrease (increase) in:			
Investments and advances (Notes 7 and 8)	**(25,996)**	236,248	25,061,046
Other noncurrent assets	**(416,233,607)**	(157,878,447)	50,416,113
AFS investments	**–**	(1,172,894)	–

(Forward)

	Years Ended December 31		
	2015	2014	2013
Acquisition of:			
Investments (Notes 7 and 8)	**(₱26,157,385,956)**	(₱4,055,693,254)	(₱4,402,132,971)
Property and equipment (Note 11)	**(45,352,501)**	(61,372,852)	(185,468,717)
Net cash flows used in investing activities	**(26,389,537,255)**	(3,228,164,772)	(1,335,824,149)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid on common shares (Note 14)	**(6,153,470,156)**	(9,939,369,278)	(11,043,743,640)
Proceeds from availment of long-term debt (Note 12)	**24,000,000,000**	–	8,000,000,000
Payments of:			
Long-term debt (Note 12)	**(1,188,000,000)**	(3,000,000)	(2,791,300,000)
Bank loans	**–**	–	(2,238,000,000)
Interest	**(762,754,468)**	(425,023,763)	(192,712,802)
Proceeds from sale of treasury shares (Note 13)	**885,335,453**	916,853,257	–
Net cash flows from (used in) financing activities	**16,781,110,829**	(9,450,539,784)	(8,265,756,442)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**2,660,621,553**	1,049,071,992	3,113,547,474
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(6,714)**	166,578	(58,746)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**4,395,121,636**	3,345,883,066	232,394,338
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱7,055,736,475**	₱4,395,121,636	₱3,345,883,066

See accompanying Notes to Parent Company Financial Statements.

ABOITIZ EQUITY VENTURES, INC.
NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. Corporate Information

Aboitiz Equity Ventures, Inc. (the Company) was incorporated in the Republic of the Philippines on September 11, 1989. It is registered with the Philippine Securities and Exchange Commission (SEC) and is the publicly-listed holding and management company of the Aboitiz Group of Companies. Through its subsidiaries and associates, it is engaged in various business activities, mainly in the Philippines, including electricity generation and distribution, banking and financial services, food manufacturing, real estate development and infrastructure. The ultimate parent of the Company is Aboitiz & Company, Inc. (ACO), a company incorporated in the Philippines.

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

The financial statements of the Company were authorized for issue in accordance with a resolution by the Board of Directors (BOD) on March 8, 2016.

2. Basis of Preparation, Statement of Compliance and Summary of Significant Accounting Policies

Basis of Preparation

The parent company financial statements have been prepared on a historical cost basis, except for quoted AFS investments which are measured at fair value. The financial statements are presented in Philippine peso, which is the Company's functional and presentation currency and all are rounded to the nearest peso except as otherwise indicated.

The Company also prepares and issues consolidated financial statements for the same period as the parent company financial statements, presented in compliance with Philippine Financial Reporting Standards (PFRS). These may be obtained at 32nd Street, Bonifacio Global City, Taguig City, Metro Manila, Philippines.

Statement of Compliance

The accompanying parent company financial statements, which are prepared for submission to the SEC and the Bureau of Internal Revenue (BIR), have been prepared in compliance with PFRS.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and revised standards and Philippine Interpretations which were applied starting January 1, 2015. These new and revised standards and interpretations did not have any significant impact on the Company's financial statements:

- Philippine Accounting Standards (PAS) 19, *Employee Benefits – Defined Benefit Plans: Employee Contributions* (Amendments)

  Amendment to PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. It clarifies that,

if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service.

This amendment is not applicable to the Company since it has a defined benefit plans which do not require contributions from employees or third parties.

Annual Improvements to PFRSs (2010-2012 cycle)

The Annual Improvements to PFRSs (2010-2012 cycle) are effective for annual periods beginning on or after January 1, 2015 and have no material impact on the Company. They include:

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

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

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

- PFRS 8, *Operating Segments – Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
  The amendments are applied retrospectively and clarify that:

  a. An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
  b. The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

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

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

Annual Improvements to PFRSs (2011-2013 cycle)
The Annual Improvements to PFRSs (2011-2013 cycle) are effective for annual periods beginning on or after January 1, 2015 and have no material impact on the Company. They include:

- PFRS 3, *Business Combinations – Scope Exceptions for Joint Arrangements*
  The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:

  a. Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
  b. This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

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

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

New Standards and Interpretation Issued and Effective after December 31, 2015
The Company will adopt the standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Company does not expect the adoption of these new and amended PFRS, PAS and Philippine Interpretations to have significant impact on its financial statements.

Deferred

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11 or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the Philippine Financial Reporting Standards Council have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

  Adoption of the interpretation when it becomes effective will potentially have an impact on the financial statements of the Company.

Effective January 1, 2016

- PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception* (Amendments)
  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. These amendments are effective for annual periods beginning on or after January 1, 2016. These amendments are not expected to have any impact on the Company.

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

  The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption

permitted. The Company 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. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. This standard is not applicable since the Company 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. These amendments are not expected to have any impact on the Company.

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments)
  The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These will have no impact on the Company 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. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These will have no relevance to the Company since it is not engaged in agriculture business.

- PAS 27, *Separate Financial Statements – Equity Method in Separate Financial Statements* (Amendments)
  The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will have no impact on the Company since there is no plan to shift to the equity method in the preparation of the separate financial statements.

<u>Annual Improvements to PFRSs (2012-2014 cycle)</u>
The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have any material impact on the Company. 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).

Effective January 1, 2018

- 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 Company'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 Company'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 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 Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date, once adopted locally.

Effective January 1, 2019

- 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 Company is currently assessing the impact of PFRS 16 and plans to adopt the new standard on the required effective date once adopted locally.

Summary of Significant Accounting Policies

Fair Value Measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or

- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Cash and Cash Equivalents

Cash and cash equivalents in the Company's balance sheet consist of cash on hand and with banks, and short-term, highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value. They are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Financial Instruments

Date of recognition

The Company recognizes a financial asset or a financial liability in the parent company balance sheet on the date when it becomes a party to the contractual provisions of the instrument. All regular way purchases and sales of financial assets are recognized on trade date, which is the

date that the Company commits to purchase the asset. Regular way purchases or sales of financial assets are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace. Derivatives are recognized on a trade date basis.

Initial recognition of financial instruments
All financial assets and financial liabilities are recognized initially at fair value. Except for securities at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transaction costs. The Company classifies its financial assets in the following categories: financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments and AFS investments. For financial liabilities, the Company also classifies them into financial liabilities at FVPL and other liabilities. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. The Company determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

"Day 1" difference
Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in the parent company statement of income unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the parent company statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" difference amount.

Financial assets and financial liabilities at FVPL
Financial assets and financial liabilities at FVPL include financial assets held for trading and financial assets designated upon initial recognition as FVPL.

Financial assets and financial liabilities are classified as held for trading if they are acquired for the purpose of selling and repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or a financial guarantee contract. Gains or losses on investments held for trading are recognized in the parent company statement of income.

Financial assets or financial liabilities may be designated at initial recognition as at FVPL if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing the gains or losses on them on a different basis; or (ii) the assets and liabilities are part of a Company of financial assets, liabilities or both which are managed and their performance evaluated on fair value basis, in accordance with a documented risk management strategy; or (iii) the financial instrument contains an embedded derivative that would need to be separately recorded.

When a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset or financial liabilities at FVPL, except when the embedded

derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets and liabilities at FVPL are recorded in the parent company balance sheet at fair value. Subsequent changes in fair value are recognized in the parent company statement of income. Interest earned or incurred is recorded as interest income or expense, respectively, while dividend income is recorded as other income when the right to receive payment has been established.

As of December 31, 2015 and 2014, the Company has no financial assets and liabilities at FVPL.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not reclassified or designated as AFS investments or financial assets at FVPL. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest method less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the parent company statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are included in current assets if maturity is within 12 months from the balance sheet date. Otherwise, they are classified as non-current assets.

Financial assets included in this classification are the Company's cash in banks and cash equivalents and trade and other receivables.

HTM investments
HTM investments are quoted non-derivative financial assets which carry fixed or determinable payments and fixed maturities and which the Company has the positive intention and ability to hold to maturity. After the initial measurement, held to maturity investments are measured at amortized cost. This cost is computed as the amount initially recognized less principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initially recognized amount and the maturity amount, less allowance for impairment. This calculation includes all fees and points paid or received between the parties to the contract that are integral part of the effective interest rate, transaction costs and all other premiums and discounts. Where the Company sells other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified as AFS investments. Gains and losses are recognized in the parent company statement of income when the investments are impaired, as well as through the amortization process.

As of December 31, 2015 and 2014, the Company has no HTM investments.

AFS investments
AFS financial investments include equity and debt securities. Equity investments classified as AFS are those which are neither classified as held for trading nor designated as at FVPL. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market

conditions. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

After initial recognition, AFS financial assets are measured at fair value with unrealized gains or losses being recognized in the other comprehensive income and in equity as "Net unrealized mark-to-market gains on AFS investments". When the investment is disposed of, the cumulative gains or loss previously recorded in equity is recognized in the parent company statement of income. The Company uses the specific identification method in determining the cost of securities sold. Interest earned or paid on the investments is reported as interest income or expense using the effective interest rate. Unquoted equity securities are carried at cost, net of impairment.

The Company's AFS investments as of December 31, 2015 and 2014 include investments in quoted and unquoted shares of stock.

Other financial liabilities
Financial liabilities are classified in this category if these are not held for trading or not designated as at FVPL upon the inception of liability. These include liabilities arising from operations or borrowings.

Other financial liabilities are initially recognized at fair value, less directly attributable transaction costs. After initial recognition, interest-bearing loans and other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium. Gains and losses are recognized in the parent company statement of income when the liabilities are derecognized, as well as through the amortization process.

Included under this category are the Company's long-term debts and accounts payable and accrued expenses.

Impairment of Financial Assets
The Company assesses at each balance sheet date whether a financial asset or Company of financial assets is impaired. A financial asset or a Company of financial assets is deemed to be impaired if and only if, there is an objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the Company of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a Company of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables
For loans and receivables carried at amortized cost, the Company first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of

estimated future cash flows (excluding future expected credit losses that have not yet been incurred). If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a Company of financial assets with similar credit risk characteristics and that Company of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the parent company statement of income. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the financial asset. Loans and receivables together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. If, in a subsequent period, the amount of the impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or decreased by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in the parent company statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Assets carried at cost
If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

AFS investments
In the case of equity investments classified as AFS, objective evidence of impairment would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the parent company statement of income) is removed from other comprehensive income and recognized in the parent company statement of income. Impairment losses on equity investments are not reversed through the parent company statement of income. Increases in fair value after impairment are recognized directly in other comprehensive income.

<u>Derecognition of Financial Assets and Liabilities</u>
Financial assets
A financial asset (or, where applicable a part of a financial asset or part of a Company of similar financial assets) is derecognized where:

- the rights to receive cash flows from the asset expires;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the parent company statement of income.

Embedded Derivatives
An embedded derivative is separated from the host financial or non-financial contract and accounted for as a derivative if all of the following conditions are met:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and,
- the hybrid or combined instrument is not recognized as at FVPL.

The Company assesses whether embedded derivatives are required to be separated from host contracts when the Company first becomes party to the contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Embedded derivatives that are bifurcated from the host contracts are accounted for either as financial assets or financial liabilities at FVPL. Changes in fair values are included in the parent company statement of income.

The Company has no embedded derivatives as of December 31, 2015 and 2014.

Financial Guarantee Contracts
Financial guarantee contracts issued by the parent company to its subsidiaries are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified subsidiaries fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognized initially as a liability at fair value,

adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the ability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the balance sheet date and the amount recognized less cumulative amortization.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the parent company balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. The Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counterparties.

Classification of Financial Instruments Between Liability and Equity

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

A financial instrument is classified as debt if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

Redeemable Preferred Shares (RPS)

The component of the RPS that exhibits characteristics of a liability is recognized as a liability in the parent company balance sheet, net of transaction costs. The corresponding dividends on those shares are charged as interest expense in the parent company statement of income. On issuance of the RPS, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability at amortized cost until extinguished.

Investments and Advances

Investments in subsidiaries

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Control is presumed to exist when an investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Investments in subsidiaries are carried at cost less any impairment in value.

Business combination of entities under common control is accounted for using a method similar to pooling of interest. Under the pooling of interest method, any excess of acquisition cost over the net asset value of the acquired entity is recorded in equity.

Investments in associates

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries. The Company's investment in its associates is accounted for using the cost method of accounting.

The Company's investments in subsidiaries and associates are accounted for under the cost method of accounting in the Company's separate financial statements. These investments are carried in the Company's balance sheet at cost less any impairment in value. The Company recognizes income from the investments only to the extent that the Company receives distributions from accumulated profits of the subsidiaries and associates arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognized as a reduction of the cost of the investment.

The reporting dates of the associates and the Company are identical and the associates' accounting policies conform to those used by the Company for like transactions and events in similar circumstances.

Investments in joint ventures

Investments in joint ventures are investments in shares of stock of a joint arrangement where the parent company exercises joint control with two or more parties. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Investments in joint ventures are carried at cost, net of allowance for any substantial and presumably permanent decline in value.

Property and Equipment

Property and equipment are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and amortization and accumulated impairment in value. Cost includes the cost of replacing part of such property and equipment when that cost is incurred if the recognition criteria are met. Repairs and maintenance costs are recognized in the parent company statement of income as incurred.

Construction in progress represents structures under construction and is stated at cost. This includes cost of construction and other direct costs. Construction in progress is not depreciated until such time that the relevant assets are completed and available for use. Borrowing costs that are directly attributable to the construction of property and equipment are capitalized during the refurbishment and construction period.

Depreciation and amortization are calculated on a straight-line basis over the useful lives of the assets, or the terms of the lease in case of leasehold improvements, whichever is shorter, as follows:

Category	Number of Years
Transportation equipment	5
Office equipment, furniture and fixtures	3-5
Leasehold improvements	5
Computer equipment	3

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

The asset's residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each financial year-end.

Fully depreciated assets are retained in the accounts until these are no longer in use. When assets are retired or otherwise disposed of, both the cost and related accumulated depreciation and amortization and any allowance for impairment losses are removed from the accounts and any resulting gain or loss is credited or charged to current operations. An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the parent company statement of income in the year the asset is derecognized.

When each major inspection is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied.

Computer Development Cost

Costs incurred in the development of computer software are capitalized. Computer development costs, included under "Other noncurrent assets" account in the parent company balance sheet, are amortized using the straight-line method over a period of two to three years.

The carrying value of computer development costs is reviewed for impairment annually when the asset is not yet in use, and otherwise when events or changes in circumstances indicate that carrying value may not be recoverable.

Impairment of Nonfinancial Assets

Investments and advances, property and equipment, software development costs and other noncurrent assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable or may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company

makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or company of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the parent company statement of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of accumulated depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the parent company statement of income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Capital Stock

Capital stock is measured at par value for all shares issued. When the Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued. Capital stock includes common stock and preferred stock.

When the shares are sold at premium, the difference between the proceeds and the par value is credited to the "Additional paid-in capital" account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Company, the shares shall be measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Direct costs incurred related to equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are debited to the "Additional paid-in capital" account. If additional paid-in capital is not sufficient, the excess is charged against an equity reserve account.

Treasury Shares

The Company's own equity instruments which are reacquired (treasury shares) are deducted from equity. No gain or loss is recognized in the parent company statement of income on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Foreign Currency Transactions

The parent company financial statements are presented in Philippine peso, which is the Company's functional and presentation currency. Transactions in foreign currencies are initially

recorded in the functional currency based on the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences arising from settlement or restatement are taken to the parent company statement of income.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and sales taxes or duty. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent.

The following specific recognition criteria must also be met before revenue is recognized:

Dividend income

Dividend income is recognized when the Company's right to receive payment is established.

Rendering of services

Management, professional and technical fees are recognized when the related services are rendered.

Interest income

Interest income is recognized as it accrues taking into account the effective yield on the asset.

Costs and expenses

Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants.

Pension Benefits

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the statement of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the parent company statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to parent company statement of income in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

a. there is a change in contractual terms, other than a renewal or extension of the arrangement;
b. a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
c. there is a change in the determination of whether fulfillment is dependent on a specified asset; or
d. there is a substantial change to the asset.

When a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances give rise to the reassessment for scenarios (a), (c) or (d) and at the date of renewal or extension period of scenario (b).

Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date.

Current income tax relating to items recognized directly in equity is recognized in the parent company statement of comprehensive income and not in the parent company statement of income.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the balance sheet liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences and carryforward benefits of net operating loss carryover (NOLCO) and minimum corporate income tax (MCIT) over regular corporate income tax (RCIT), to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and the carryforward benefits of NOLCO and excess of MCIT over RCIT can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available

to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred income tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as of the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Sales tax
Revenues, expenses, and assets are recognized net of amount of sales tax except:

- where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivable and payables that are stated with the amount of sales tax are included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the parent company balance sheet.

Input value-added tax (VAT)
Input VAT represents VAT imposed on the Company by its suppliers for the acquisition of goods and services as required by Philippine taxation laws and regulations.

Input VAT, which is presented as part of “Other current assets” and/or “Other noncurrent assets” in the parent company balance sheets, is recognized as an asset and will be used to offset the Company’s current output VAT liabilities and or applied for claim for tax credit certificates. Input VAT is stated at its estimated net realizable value.

Output VAT
Output VAT represents VAT due on the sale, lease or exchange of taxable goods or properties or service by any person registered or required to register under Philippine taxation laws and regulations.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the parent company balance sheets.

<u>Provisions</u>
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the

parent company statement of income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

Contingencies
Contingent liabilities are not recognized in the parent company financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the parent company financial statements but disclosed when an inflow of economic benefits is probable.

Events After the Reporting Period
Post year-end events that provide additional information about the Company's position at reporting date (adjusting events) are reflected in the parent company financial statements. Post year-end events that are not adjusting events are disclosed when material.

Dividends on Common Shares
Dividends on common shares are recognized as a liability and deducted from retained earnings when approved by the respective shareholders of the Company. Dividends for the year that are approved after the balance sheet date are dealt with as an event after the balance sheet date.

3. Significant Accounting Judgments and Estimates

The preparation of the parent company financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, as of December 31, 2015, 2014 and 2013. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

Judgments
In the process of applying the Company's accounting policies, management has made the following judgment, apart from those involving estimations, which have the most significant effect on the amounts recognized in the parent company financial statements:

Determining functional currency
Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency of the Company has been determined to be the Philippine peso. The Philippine peso is the currency of the primary economic environment in which the Company operates. It is the currency that mainly influences the pricing of management, professional and technical fees and the costs of providing such services.

Classification of financial instruments
The Company exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as either a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definition of a financial

asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the parent company balance sheet.

Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed follow:

Estimating allowance for impairment losses on trade and other receivables

The Company maintains allowance for impairment losses on trade and other receivables at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by the Company on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, the length of the Company's relationship with debtors, their payment behavior and known market factors. The Company reviews the age and status of the receivables, and identifies accounts that are to be provided with allowance on a continuous basis. The Company also evaluates its receivables from a portfolio perspective, to determine whether there are collective indicators of incurred loss. The amount and timing of recorded expenses for any period would differ if the Company made different judgment or utilized different estimates. An increase in the Company's allowance for probable losses on receivables would increase the Company's recorded expenses and decrease current assets.

The main considerations for impairment assessment include whether any payments are overdue or if there are any known difficulties in the cash flows of the counterparties. The Company assesses impairment into two areas: individually assessed allowances and collectively assessed allowances.

The Company determines allowance for each significant receivable on an individual basis. Among the items that the Company considers in assessing impairment is the inability to collect from the counterparty based on the contractual terms of the receivables. Receivables included in the specific assessment are the account that have been endorsed to the legal department, non-moving account receivables, accounts of defaulted agents and accounts from closed stations.

For collective assessment, allowances are assessed for receivables that are not individually significant and for individually significant receivables where there is not yet objective evidence of individual impairment. Impairment losses are estimated by taking into consideration the age of the receivables, past collection experience and other factors that may affect collectibility.

Allowance for impairment losses on trade receivables amounted to ₱67.0 million and nil as of December 31, 2015 and 2014, respectively. Trade and other receivables amounted to ₱551.7 million and ₱437.7 million as of December 31, 2015 and 2014, respectively (see Note 5).

Estimating allowance for impairment losses on advances to subsidiaries and associates

Advances to subsidiaries and associates are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. There are no impairment indicators in 2015, 2014 and 2013 based on management's assessment. The carrying amounts of the investments in and advances to associates amounted to ₱58.4 billion and ₱32.7 billion as of December 31, 2015 and 2014, respectively (see Notes 7 and 8).

Estimating useful lives of property and equipment
The Company estimates the useful lives of property and equipment based on their economic lives. The estimated useful lives of property and equipment are reviewed periodically and updated if expectations differ materially from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the property and equipment. However, it is possible that future results or operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recording of expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property and equipment would increase the recorded expenses and decrease the noncurrent assets. As of December 31, 2015 and 2014, the carrying amount of property and equipment amounted to ₱238.7 million and ₱252.7 million, respectively (see Note 11).

Assessing impairment of AFS investments
The computation for the impairment of AFS investments requires an estimation of the present value of the expected future cash flows and the selection of an appropriate discount rate. An impairment issue arises when there is an objective evidence of impairment, which involves significant judgment. In applying this judgment, the Company evaluates the financial health of the issuer, among others. In the case of AFS equity instruments, the Company expands its analysis to consider changes in the issuer's industry and sector performance, legal and regulatory framework, changes in technology and other factors that affect the recoverability of the Company's investments. Fair value of AFS investments amounted to ₱34.2 million and ₱49.4 million as of December 31, 2015 and 2014, respectively. No impairment losses were recognized in 2015 and 2014 (see Note 21).

Assessing impairment of nonfinancial assets
PFRS requires that an impairment review be performed when certain impairment indicators are present. Determining the value of property and equipment, investments in subsidiaries and associates, software development costs and other noncurrent assets, which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Company to make estimates and assumptions that can materially affect its parent company financial statements. Future events could cause the Company to conclude that the property and equipment, investments in subsidiaries and associates, computer development costs and other noncurrent assets are impaired. Any resulting impairment loss could have a material adverse impact on the Company's financial condition and results of operations. The aggregate carrying values of these assets amounted to ₱58.9 billion and ₱33.1 billion and as of December 31, 2015 and 2014, respectively (see Notes 7, 8 and 11). While no impairment losses were recognized in 2015, 2014 and 2013, a recovery of an impairment provision on an investment in and advances to an associate amounting to ₱26.2 million was recorded in 2013.

Estimating realizability of deferred income tax assets
The Company reviews the carrying amounts of deferred income tax assets at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. The Company's assessment on the recognition of deferred income tax assets on nondeductible temporary differences is based on the budgeted taxable income of the following reporting period. This budget is based on the Company's past results and future expectations on revenue and

expenses. As of December 31, 2015 and 2014, deferred income tax assets amounted to ₱97.6 million and ₱62.5 million, respectively (see Note 19).

The Company did not recognize its deferred income tax assets on NOLCO amounting to ₱1.4 billion and ₱687.0 million as of December 31, 2015 and 2014, respectively, and from minimum corporate income tax (MCIT) amounting to ₱13.9 million as of December 31, 2015. The Company recognized deferred income tax assets amounting to ₱22.9 million on its MCIT as of December 31, 2014 (see Note 19).

Pension costs
The costs of defined benefit pension plans, as well as the present value of the pension obligation, are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Net defined benefit liability amounted to ₱117.2 million and net defined benefit asset amounted to ₱54.9 million as of December 31, 2015 and 2014, respectively (see Note 18).

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

Further details about the assumptions used are provided in Note 18.

Fair value of financial instruments
When the fair values of financial assets and financial liabilities recorded in the parent company balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 21 for further disclosures.

Legal contingencies
The estimate of probable costs for the resolution of possible claims has been developed in consultation with outside counsel handling the Company's defense in these matters and is based upon an analysis of potential results. No provision for probable losses arising from legal contingencies was recognized in the parent company financial statements as of December 31, 2015 and 2014.

4. Cash and Cash Equivalents

	2015	2014
Cash on hand and in banks (see Note 10)	**₱244,892,947**	₱216,959,498
Short-term investments (see Note 10)	**6,810,843,528**	4,178,162,138
	₱7,055,736,475	₱4,395,121,636

Cash in banks earn interest at floating rates based on daily bank deposit rates. Short-term investments are made for varying periods of up to three months depending on the immediate cash requirements of the Company, and earn interest at the respective short-term investment rates.

Interest income earned on cash and cash equivalents amounted to ₱192.8 million in 2015, ₱71.0 million in 2014 and ₱27.9 million in 2013.

5. Trade and Other Receivables

	2015	2014
Trade receivables (see Note 10)	**₱566,733,655**	₱390,804,261
Recoverable deposits	**17,112,224**	22,950,998
Interest receivable	**12,386,955**	7,797,346
Due from parent and subsidiaries (see Note 10)	**-**	810,753
Others	**22,443,890**	15,329,432
	618,676,724	437,692,790
Allowance for doubtful accounts (see Note 16)	**(67,000,000)**	-
	₱551,676,724	₱437,692,790

Trade receivables are non-interest bearing and are normally on 30-60 days' term. Accounts due from related parties are interest-bearing, on-demand advances extended by the Company. Other receivables mainly represent unsettled claims due from various third parties.

6. Other Current Assets

	2015	2014
Prepaid expenses	**₱640,531,173**	₱527,396,267
Input VAT	**9,689,556**	8,823,047
Others	**2,799,891**	3,234,582
	₱653,020,620	₱539,453,896

Prepaid expenses consist of unapplied rent and tax costs for which payments have been made.

7. Investments in Subsidiaries

Subsidiaries	Nature of Business	Percentage of Ownership 2015 Direct	2015 Indirect	2014 Direct	2014 Indirect
AEV Properties, Inc. (API)*	Real Estate	**100.00**	**–**	100.00	–
Aseagas Corporation (Aseagas)*	Biogas Manufacturing	**100.00**	**–**	100.00	–
AEV International Pte. Ltd (AEV International) and Subsidiaries**	Holding	**100.00**	–	100.00	–
Archipelago Insurance Pte. Ltd (AIPL)**	Insurance	**100.00**	**–**	100.00	–
AboitizLand, Inc. (AboitizLand) and Subsidiaries	Real Estate	**100.00**	**–**	100.00	–
Pilmico Foods Corporation (PILMICO) and Subsidiaries	Food Manufacturing	**100.00**	**–**	100.00	–
Cebu Praedia Development Corporation (CPDC)***	Real Estate	**100.00**	**–**	100.00	–
Aboitiz Power Corporation (AP) and Subsidiaries	Power	**76.88**	**–**	76.88	–
AEV Aviation, Inc. (AVI)***	Service	**73.31**	**26.69**	73.31	26.69
Apo Agua Infrastructura, Inc. (Apo Agua)	Infrastructure	**70.00**	**–**	–	–
PETNET, Inc. (PETNET)	Financial Services	**51.00**	**–**	–	–

** No commercial operations*
*** Incorporated in Singapore. All other companies are incorporated in the Philippines.*
**** The 2015 and 2014 financial statements of these subsidiaries were audited by other independent auditors. All other companies were audited by the principal auditors.*

The details of the Company's investments in subsidiaries accounted for under the cost method follow:

	2015	2014
AP	**₱11,172,872,837**	₱11,172,872,837
ABOITIZLAND	**5,731,000,000**	5,731,000,000
PILMICO	**1,658,885,002**	1,658,885,002
CPDC	**1,206,546,023**	226,546,023
PETNET	**1,003,684,410**	–
AEV INTERNATIONAL	**878,693,254**	878,693,254
AVI	**750,401,592**	800,250,000
ASEAGAS	**727,010,000**	439,510,000
Propriedad del Norte, Inc.	**610,000,000**	590,000,000
APO AGUA	**52,514,000**	–
API	**25,000,000**	25,000,000
AIPL	**21,739,130**	21,739,130
	23,838,346,248	21,544,496,246
Advances from subsidiaries	**(25,826,726)**	(25,852,723)
	₱23,812,519,522	₱21,518,643,523

Acquisition of 51% of PETNET
On June 1, 2015, the Company acquired 51% stake in PETNET from Amon Trading Corporation, Strongview Inc. and various individual shareholders for a total consideration of ₱1.0 billion. PETNET is a Philippine money remittance business with a national footprint of around 2,500 locations through a mix of own units and business partner agreements, and is the largest Western Union agent network of the Philippines. PETNET has a large growth and development potential with the continued increase in remittances from overseas Filipino workers and with a large opportunity to distribute complementary products through an extensive network of outlets.

The Company's 51% ownership in the equity share capital of PETNET is treated as an investment in a subsidiary.

Investment in Apo Agua
Apo Agua is a 70:30 partnership between AEV and J.V. Angeles Construction Corporation (JVACC), respectively. In March 2015, Apo Agua signed the contractual agreement and bulk water purchase agreement (BWPA) with Davao City Water District (DCWD) to supply treated bulk water of up to 300 million liters per day to DCWD from a facility that will be powered by a hydroelectric power plant, a renewable energy facility. Construction is scheduled to start in the second quarter of 2016.

AEV's 70% interest in Apo Agua is accounted for as an investment in a subsidiary.

Sale of Abojeb Group shares
On February 12, 2014, AEV completed the divestment of its interests in the shipping and shipping-related businesses with the disposition of all its interests in Aboitiz Jebsen Company, Inc., Aboitiz Jebsen Manpower Solutions, Inc., and Jebsens Maritime, Inc. (collectively, the "Abojeb Group") to PTC Holdings Corporation, Behike Holdings, Inc., Valdicava Holdings, Inc., Jebsen Invest A.S. and Furunes Holdings Inc. The total consideration of this sale is equivalent to US$8.3 million. Gain generated from this sale amounted to ₱15.7 million.

Sale of City Savings Bank (CSB) shares
On January 8, 2013, the BOD of the Company approved the offer from Union Bank of the Philippines (UBP), an associate, to purchase the Company's 59.54% shareholdings in CSB. The total consideration of this sale amounted to ₱5.7 billion. Gain arising from the sale amounted to ₱2.5 billion.

8. Investments and Advances

		Percentage of Ownership	
	Nature of Business****	**2015**	2014
AEV CRH Holdings, Inc. (AEV CRH)	Holding	**60.00**	–
Cebu District Property Enterprise, Inc. (CDPEI)*	Real Estate	**50.00**	50.00
UBP**	Banking	**47.97**	47.43
CRH Aboitiz Holdings, Inc. (CRH Aboitiz)	Holding	**45.00**	–
Accuria, Inc. (Accuria)***	Holding	**49.54**	49.54
Jardine Aboitiz Insurance Brokers, Inc. (JAIB)***	Insurance Brokerage	**49.00**	49.00

** The Company owns 50% of the non-voting, participating and non-cumulative preferred shares of CDPEI.*
*** The 2015 and 2014 financial statements of this associate were audited by another independent auditor. All other companies were audited by the principal auditors.*
**** No commercial operations and fully written off in 2015.*
***** All companies are incorporated in the Philippines.*

The details of the Company's investments in and advances to associates and a joint venture accounted for under the cost method follow:

	2015	2014
AEV CRH	**₱23,573,714,090**	₱–
UBP	**9,463,368,067**	9,142,450,741
CDPEI	**1,350,000,000**	1,350,000,000
CRH ABOITIZ	**169,056,131**	–
ACCURIA	**–**	719,739,476
JAIB	**–**	1,884,426
	₱34,556,138,288	₱11,214,074,643

Acquisition of the Philippine Business of Lafarge S.A.
On September 15, 2015, the Company and CRH PLC (CRH), through their investment vehicles, AEV CRH and CRH ABOITIZ, closed the acquisition of Lafarge S.A. Philippine assets. The Company acquired its interest in AEV CRH and CRH ABOITIZ for a total consideration of ₱23.7 billion. Simultaneously, AEV CRH purchased 99.09% of Republic Cement and Building Materials, Inc. (RCBMI; formerly Lafarge Republic, Inc.) and 100% of Luzon Continental Land Corporation (LCLC) shares, while CRH ABOITIZ acquired 100% of the outstanding common shares of Republic Cement Services, Inc. (RCSI) (formerly Lafarge Cement Services (Philippines), Inc.).

RCBM is a publicly-listed company engaged in the manufacture, development, exploitation and sale of cement, marble and all other kinds and classes of building materials, and the processing or manufacture of materials for any industrial or commercial purposes. It owns 99.63% of Republic Cement Mindanao, Inc. (RCMI) (formerly Lafarge Mindanao, Inc.) and 94.63% of Republic Cement Iligan, Inc. (RCII) (formerly Lafarge Iligan, Inc.).

LCLC was incorporated primarily to acquire, develop and operate land, quarries and other properties used for mining, and to process all kinds of ore and cement materials. LCLC currently leases its land to RCBM and supplies RCBM with certain raw materials.

RCSI is engaged in providing technical, professional and management services to businesses involving cement manufacturing, distribution and quarrying. It provides management services to LCLC, RCBM, RCMI, and RCII in respect of their non-nationalized business activities.

The Company holds 60% of the equity shares of AEV CRH. Management assessed that since the Company does not have the ability to direct the relevant activities which most significantly affect the returns of the subsidiaries of AEV CRH, it cannot consolidate AEV CRH group. This is a result of the contractual arrangements that give the other partner the power to direct the relevant non-nationalized activities of these subsidiaries. Consequently, the Company recognizes AEV CRH as an associate that is accounted for using the equity method in the AEV consolidated financial statements. AEV owns 45% of the outstanding shares of CRH ABOITIZ, and likewise treats it as an investment in an associate.

Acquisition of UBP shares
On December 22, 2015, the Company purchased additional 5.7 million shares in UBP for a total consideration of ₱320.9 million, increasing its share in UBP from 47.43% to 47.97%.

The fair value of the investment in UBP for which there is a published price quotation amounted to ₱29.0 billion and ₱33.5 billion as of December 31, 2015 and 2014, respectively.

Joint Venture with Ayala Land, Inc. (ALI)
On February 20, 2014, the Company and AboitizLand, together with the ALI group, incorporated Cebu District Property Enterprise, Inc. (CDPEI) as a 50-50 joint venture (JV) company between the Aboitiz and Ayala groups that will develop a 15-hectare mixed use community in Mandaue City, Cebu. It will be comprised of residential towers, commercial spaces, with retail and office components. Subject to market conditions, the mixed use development is expected to be completed within the next 10 years. CDPEI will start off with the commercial development and the first residential tower which will cost more than ₱5.0 billion.

Under the JV agreement, all corporate acts of CDPEI should be approved with the unanimous consent of each party. Consequently, AboitizLand's 50% ownership in the voting shares of CDPEI is accounted for under the equity method in the Company's consolidated financial statements.

Sale of Cebu International Container Terminal, Inc. (CICTI) shares
On January 10, 2014, AEV sold all of its interest in CICTI for a total consideration of ₱646.5 million. Gain generated from this disposal amounted to ₱359.5 million.

9. Accounts Payable and Accrued Expenses

	2015	2014
Accrued expenses	**₱164,888,834**	₱175,372,724
Due to related parties (see Notes 7 and 11)	**250,000,000**	399,929
Accrued interest (see Note 12)	**193,976,871**	39,055,613
Withholding taxes payable	**49,935,143**	33,277,010
VAT output payable	**28,325,946**	15,166,624
Others	**1,239,211**	698,182
	₱688,366,005	₱263,970,082

Accrued expenses include payroll, travel and transportation expenses and subscription liabilities.

10. Related Party Disclosures

Parties are considered to be related if one party has the ability to control, directly or indirectly, the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

In the normal course of business, the Company enters into transactions with related parties, principally consisting of the following:

a. Interest-bearing temporary advances due to or from certain subsidiaries. Annual interest rates range from 0.50% - 4.60% in 2015 and 2014 and 0.5% - 6.50% in 2013.

b. Management and other professional and technical fees charged to related parties at arm's length basis.

c. Rentals paid at current market rates to CPDC for the use of CPDC's properties by the Company's officers and employees.

d. Aviation service fees paid at an arm's length basis to AVI for the use of aircraft during travel of the Company's officers and employees.

e. Cash deposits and money market placements with UBP. At prevailing rates, these fixed-rate investments earned interest income amounting to ₱11.4 million, ₱19.7 million and ₱4.1 million in 2015, 2014 and 2013, respectively. Outstanding balances amounted ₱777.3 million and ₱741.6 million as of December 31, 2015, and 2014, respectively.

The above transactions are settled in cash. The parent company balance sheets and the parent company statements of income include the following accounts resulting from these related party transactions (amounts in thousands):

Temporary Advances Due From (To)

	Interest Income (Expense)			Outstanding Balance			
	2015	2014	2013	**2015**	2014	Terms	Conditions
Subsidiaries							
CPDC	**₱19**	₱13	₱2,586	**₱–**	₱811	On demand; interest-bearing	Unsecured; no impairment
AVI	**(1)**	(2)	(5)	**–**	(400)	On demand; interest-bearing	Unsecured; no impairment
	₱18	₱11	₱2,581	**₱–**	₱411		

Revenues - Management, Professional and Technical Fees

	Revenue			Accounts Receivable (Payable)			
	2015	2014	2013	**2015**	2014	Terms	Conditions
Parent Company							
ACO	**₱8,835**	₱11,012	₱16,108	**₱1,141**	₱938	30-day; interest-free	Unsecured; no impairment
Subsidiaries							
PILMICO	**433,996**	304,597	273,220	**138,778**	65,889	30-day; interest-free	Unsecured; no impairment
AP	**102,608**	90,723	62,571	**40,758**	33,318	30-day; interest-free	Unsecured; no impairment
Visayan Electric Co., Inc.	**90,392**	88,894	122,042	**122,980**	112,693	30-day; interest-free	Unsecured; no impairment
Therma South, Inc.	**26,917**	8,033	6,674	**3,518**	2,090	30-day; interest-free	Unsecured; no impairment
AboitizLand, Inc.	**22,618**	26,095	15,640	**15,824**	14,964	30-day; interest-free	Unsecured; no impairment
Therma Visayas, Inc.	**21,266**	6,711	585	**3,287**	3,529	30-day; interest-free	Unsecured; no impairment
DLP	**21,187**	50,037	15,080	**31,986**	52,321	30-day; interest-free	Unsecured; no impairment
AP Renewables, Inc.	**11,801**	11,393	10,539	**278**	3,122	30-day; interest-free	Unsecured; no impairment
Therma Luzon, Inc.	**10,012**	8,534	10,085	**2,077**	1,412	30-day; interest-free	Unsecured; no impairment
Hedcor, Inc.	**7,288**	7,280	5,460	**2.777**	5,185	30-day; interest-free	Unsecured; no impairment
Pilmico Animal Nutrition Corp.	**6,785**	6,226	4,222	**1,611**	2,932	30-day; interest-free	Unsecured; no impairment
Aseagas Corp.	**5,414**	7,559	**–**	**1,202**	3,401	30-day; interest-free	Unsecured; no impairment

(Forward)

	Revenue			Accounts Receivable (Payable)			
	2015	2014	2013	**2015**	2014	Terms	Conditions
Therma Mobile, Inc.	**₱3,205**	₱3,124	₱3,663	**₱1,030**	₱676	30-day; interest-free	Unsecured; no impairment
Hedcor Sibulan, Inc.	**3,016**	4,725	3,430	**1,302**	2,091	30-day; interest-free	Unsecured; no impairment
Therma Marine, Inc.	**2,987**	5,794	2,249	**(132)**	(140)	30-day; interest-free	Unsecured; no impairment
AP Energy Solutions, Inc.	**2,261**	3,869	4,913	**567**	312	30-day; interest-free	Unsecured; no impairment
AVI	**1,973**	2,473	1,881	**919**	1,373	30-day; interest-free	Unsecured; no impairment
Luzon Hydro Corp.	**1,689**	2,344	4,068	**881**	1,080	30-day; interest-free	Unsecured; no impairment
CPDC	**1,166**	1,469	1,171	**91**	1,069	30-day; interest-free	Unsecured; no impairment
Therma Power, Inc.	**968**	951	848	**439**	645	30-day; interest-free	Unsecured; no impairment
Apo Agua Infrastructura, Inc.	**194**	–	–	**175**	–	30-day; interest-free	Unsecured; no impairment
Petnet, Inc.	**40**	–	–	**31**	–	30-day; interest-free	Unsecured; no impairment
Therma Power Visayas, Inc.	–	–	–	**18**	–	30-day; interest-free	Unsecured; no impairment
Subic Enerzone Corp.	–	34	146	**900**	1,698	30-day; interest-free	Unsecured; no impairment
JMI (see Note 7)	–	–	527	–	–	30-day; interest-free	Unsecured; no impairment
Mactan Enerzone Corp.	–	–	33	**168**	291	30-day; interest-free	Unsecured; no impairment
ABOJEB (see Note 7)	–	–	3,825	–	–	30-day; interest-free	Unsecured; no impairment
Associates and Other Affiliates							
Republic Cement & Building Materials, Inc.	**85,800**	–	–	**85,800**	–	30-day; interest-free	Unsecured; no impairment
Republic Cement Mindanao, Inc.	**19,450**	–	–	**19,450**	–	30-day; interest-free	Unsecured; no impairment
Republic Cement Iligan, Inc.	**13,650**	–	–	**13,650**	–	30-day; interest-free	Unsecured; no impairment
Manila-Oslo Renewable Enterprise, Inc.	**2,037**	2,420	2,455	**889**	1,822	30-day; interest-free	Unsecured; no impairment
SN Aboitiz Power -Magat, Inc.	**1.531**	2,120	1,131	**682**	1,312	30-day; interest-free	Unsecured; no impairment
San Fernando Electric Light and Power Co.	**2,077**	2,074	9,811	**1,930**	1,953	30-day; interest-free	Unsecured; no impairment
SN Aboitiz Power - Benguet, Inc.	**1,692**	1,641	1,348	**711**	1,328	30-day; interest-free	Unsecured; no Impairment
UBP	**540**	852	61	**3,498**	2,659	30-day; interest-free	Unsecured; no impairment
Cebu Energy Dev. Corp.	–	–	5,860	–	–	30-day; interest-free	Unsecured; no impairment
Other Related Parties	**16,698**	13,415	11,715	**6,314**	8,633	30-day; interest-free	Unsecured; no impairment
	₱930,093	₱674,399	₱601,361	**₱505,530**	₱328,596		

Rental and Aviation Services (see Notes 16 and 17)

	Expense			Accounts Payable			
	2015	2014	2013	**2015**	2014	Terms	Conditions
Subsidiaries							
AVI	**₱21,063**	₱20,947	₱21,134	**₱–**	₱–	30-day; interest-free	Clean; no collateral
CPDC	**7,826**	–	–	–	–	30-day; interest-free	Clean; no collateral
	₱28,889	₱20,947	₱21,134	**₱–**	₱–		

Cash Deposits and Placements

	Interest Income			Outstanding Balance			
	2015	2014	2013	**2015**	2014	Terms	Conditions
UBP	**₱11,371**	₱19,745	₱17,955	**₱777,267**	₱741,582	90 days or less; interest-bearing	No impairment

The Company's retirement benefit fund ("Fund") is in the form of a trust being maintained and managed by ACO under the supervision of the Board of Trustees (BOT) of the plan.

The Fund has a carrying amount and a fair value of ₱521.3 million and ₱578.8 million as of December 31, 2015 and 2014, respectively (see Note 18). The assets and investments of the Fund are as follows (amounts in thousands):

	2015	2014
Cash and fixed-income investments	**₱247,287**	₱99,259
Available-for-sale (AFS) investments	**274,700**	640,635
	₱521,987	₱739,894

Fixed-income investments represent money market placements with maturities ranging from less than a year up to five years. AFS investments mainly comprise quoted equity securities which are carried at their fair values.

The Company's retirement benefit fund for its employees has investments in the equities of the Company and one of its subsidiaries. The carrying values of these investments as of December 31, 2015 and 2014 and the gains (losses) of the Fund arising from such investments for the years then ended are as follows (amounts in thousands):

	2015		2014	
	Carrying Value	**Gains**	Carrying Value	Gains
AEV common shares	**₱–**	**₱–**	₱–	₱58
AP common shares	**76,180**	–	78,372	18,013

The above investments of the Fund were approved by the BOT. The voting rights over these equity securities are exercised by the chairman of the BOT.

Compensation of Key Management Personnel

	2015	2014	2013
Short-term benefits	**₱213,606,767**	₱191,918,603	₱235,454,913
Post-employment benefits	**14,555,861**	9,442,861	12,664,739
	₱228,162,628	₱201,361,464	₱248,119,652

11. Property and Equipment

December 31, 2015

	Transportation Equipment	Office Equipment, Furniture and Fixtures	Leasehold Improvements	Computer Equipment	Total
Cost:					
At January 1	**₱53,271,102**	**₱78,701,037**	**₱181,329,323**	**₱131,501,270**	**₱444,802,732**
Additions	**15,941,436**	**8,176,130**	**2,970,259**	**18,264,676**	**45,352,501**
Disposals	**(12,514,758)**	**(3,078,149)**	**(181,627)**	**(866,921)**	**(16,641,455)**
At December 31	**56,697,780**	**83,799,018**	**184,117,955**	**148,899,025**	**473,513,778**
Accumulated Depreciation and Amortization:					
At January 1	**34,887,589**	**33,388,650**	**43,990,156**	**79,813,021**	**192,079,416**
Depreciation	**9,988,250**	**14,428,152**	**5,916,272**	**27,501,315**	**57,833,989**
Disposals	**(11,450,434)**	**(3,052,800)**	**(65,378)**	**(571,685)**	**(15,140,297)**
At December 31	**33,425,405**	**44,764,002**	**49,841,050**	**106,742,651**	**234,773,108**
Net Book Value	**₱23,272,375**	**₱39,035,016**	**₱134,276,905**	**₱42,156,374**	**₱238,740,670**

December 31, 2014

	Transportation Equipment	Office Equipment, Furniture and Fixtures	Leasehold Improvements	Computer Equipment	Total
Cost:					
At January 1	₱47,102,435	₱54,038,636	₱177,174,954	₱113,008,142	₱391,324,167
Additions	13,242,945	9,567,756	19,428,462	19,133,689	61,372,852
Disposals	(7,074,278)	(166,055)	–	(653,954)	(7,894,287)
Reclassification	–	15,260,700	(15,274,093)	13,393	–
At December 31	53,271,102	78,701,037	181,329,323	131,501,270	444,802,732
Accumulated Depreciation and Amortization:					
At January 1	32,509,419	20,190,524	38,110,004	58,075,078	148,885,025
Depreciation	8,071,843	13,364,164	5,880,152	22,330,118	49,646,277
Disposals	(5,693,673)	(166,038)	–	(592,175)	(6,451,886)
At December 31	34,887,589	33,388,650	43,990,156	79,813,021	192,079,416
Net Book Value	₱18,383,513	₱45,312,387	₱137,339,167	₱51,688,249	₱252,723,316

As of December 31, 2015 and 2014, no property and equipment are used to secure the Company's long-term debts (see Note 12).

As of December 31, 2015 and 2014, there are no fully depreciated property and equipment in use.

12. Long-term Debts

	2015	2014
Financial institutions - unsecured peso denominated loans	**₱32,000,000,000**	₱9,188,000,000
Less current portion	–	1,188,000,000
	₱32,000,000,000	₱8,000,000,000

2015 Retail Bonds - ₱24 billion
In August 2015, the Company issued a total of ₱24.0 billion bonds, broken down into ₱10.5 billion 5-year, ₱8.5 billion 7-year and ₱5.0 billion 12-year bonds at fixed interest rates ranging from 4.47% to 6.02%.

Unamortized deferred financing costs on this debt amount to ₱219.9 million as of December 31, 2015.

2013 Retail Bonds - ₱8.0 billion
In November 2013, the Company issued a total of ₱8.0 billion bonds, broken down into ₱6.2 billion 7-year and ₱1.8 billion 10-year bonds at fixed interest rates ranging from 4.41% to 4.62%.

Unamortized deferred financing costs on this debt amount to ₱63.2 million and ₱86.1 million as of December 31, 2015 and 2014, respectively.

The 2015- and 2013-issued retail bonds have been rated PRS Aaa by the Philippine Rating Services Corporation (PhilRatings).

The principal amount of the above bonds shall be payable on a lump sum basis on the respective maturity date at its face value. These bonds may be redeemed in advance by the Company based on stipulated early redemption option dates and on agreed early redemption price.

2010 Fixed Rate Corporate Notes - ₱1.5 billion
On November 30, 2010, the Company availed ₱1.5 billion from the Notes Facility Agreement (NFA) it signed with Bank of Philippine Islands, BPI Asset Management and Trust Company as Investment Manager for ALFM Peso Bond, Inc. and BPI Asset Management and Trust Company as Noteholders. The NFA provided for the issuance of 5-year corporate notes in a private placement to not more than 19 institutional investors. This unsecured debt bears an annual interest of 5.23%.

In November 2015, the loan was fully paid upon maturity.

The loan agreements on long-term debt of the Company provide for certain restrictions with respect to, among others, incurrence of additional debts, payment of dividends, investment and guaranties, mergers or consolidations or other material changes in ownership, corporate set-up or management, disposition of mortgage of assets and maintenance of financial ratios.

These restrictions and requirements were complied with by the Company as of December 31, 2015 and 2014.

13. Capital Stock and Redeemable Preferred Shares

Information on the Company's authorized capital stock follows:

	Number of Shares
Authorized capital stock:	
Common shares, ₱1 par value	9,600,000,000
Preferred shares, ₱1 par value	400,000,000

Outstanding capital stock is as follows:

	Number of Shares	
	2015	2014
Common shares issued	**5,694,599,621**	5,694,599,621
Less treasury shares	**140,332,814**	156,018,314
Balance at end of year	**5,554,266,807**	5,538,581,307

On November 16, 1994, the Company listed with the Philippine Securities Exchange (PSE) its 3,650,385,204 common shares with a par value of ₱1.00 per share to cover the initial public offering (IPO) of 821,486,204 common shares at an offer price of ₱5.70 per share. Gross proceeds from this issuance of new shares amounted to ₱4.6 billion. Transaction costs incidental to the IPO totaling ₱528.0 million were charged against "Additional paid-in capital" in the parent company balance sheet.

On May 23, 1995 and August 30, 1996, the Company distributed 20% stock dividend equivalent to 730.08 million shares and 30% stock dividend equivalent to 1.31 billion shares, respectively. Both stock dividends were issued at ₱1.00 per share. At the end of 1996, common shares issued totaled 5.69 billion.

The preferred shares are non-voting, non-participating, non-convertible, cumulative re-issuable and redeemable and may be issued from time to time by the BOD in one or more series and fixed before issuance thereof, the number of shares in each series, and all designations, relative rights, preferences and limitations of the shares in each series. Preferred shares that are redeemed by the Company may be re-issued.

There were no preferred shares issued as of December 31, 2015 and 2014.

As of December 31, 2015, and 2014, the Company has 9,328 and 9,494 shareholders, respectively.

Treasury Shares

As of December 31, 2015 and 2014, AEV shares bought into treasury totaled 140.3 million and 156.0 million with corresponding acquisition costs of ₱1.1 billion and ₱1.2 billion, respectively. In 2015, 15.7 million shares costing ₱112.8 million were sold for ₱885.3 million while 16.7 million shares costing ₱116.8 million were sold for ₱916.8 million in 2014.

14. Retained Earnings

On March 10, 2015, the BOD approved the declaration of a regular cash dividend of ₱1.11 per share (₱6.15 billion) to all stockholders of record as of March 24, 2015. These dividends were paid on April 20, 2015.

On March 11, 2014, the BOD approved the declaration of a regular cash dividend of ₱1.27 per share (₱7.01 billion) and a special cash dividend of ₱0.53 a share (₱2.93 billion) to all stockholders of record as of March 25, 2014. These dividends were paid on April 22, 2014.

On March 5, 2013, the BOD approved the declaration of a regular cash dividend of ₱1.44 per share (₱7.95 billion) and a special cash dividend of ₱0.56 a share (₱3.09 billion) to all stockholders of record as of March 19, 2013. These dividends were paid on April 15, 2013.

15. Cost of Services

	2015	2014	2013
Salaries and wages (see Note 17)	**₱387,902,125**	₱278,586,344	₱334,835,432
Professional fees	**41,379,889**	44,241,987	57,609,449
Depreciation (see Note 11)	**41,147,219**	35,747,308	37,028,751
Rent (see Note 10)	**36,824,897**	34,592,642	35,181,485
Employees' benefits (see Notes 17 and 18)	**23,142,296**	21,437,872	15,035,493
Communication, light and water	**13,606,684**	13,003,210	13,457,922
Repairs and maintenance	**11,937,099**	11,424,739	7,959,903
Office supplies	**3,884,528**	2,822,341	3,582,560
Amortization of computer software	**1,465,607**	2,667,061	5,409,288
	₱561,290,344	₱444,523,504	₱510,100,283

16. General and Administrative Expenses

	2015	2014	2013
Salaries and wages (see Note 17)	**₱157,309,129**	₱108,317,609	₱7,292,632
Bank charges	**92,914,665**	3,294,066	19,057,998
Provision for doubtful accounts (see Note 5)	**67,000,000**	**52,252,632**	– 45,398,358
Transportation and travel (see Note 10)	**52,252,632**	45,398,358	55,693,924
Insurance	**29,214,016**	26,757,957	21,225,883
Outside services	**24,840,167**	20,360,379	26,563,564
Training and development	**22,401,396**	42,699,280	28,221,035
Employees' benefits (see Notes 17 and 18)	**19,868,054**	18,216,839	7,866,584
Professional fees	**16,781,126**	17,201,799	1,254,720
Depreciation (see Note 11)	**16,686,770**	13,898,968	806,477
Rent (see Note 10)	**14,933,902**	13,450,021	766,244
Communication, light and water	**10,961,782**	13,038,097	7,500,006
Taxes and licenses	**13,882,896**	5,211,656	15,502,741
Advertising	**13,584,876**	5,423,635	4,245,176
Entertainment, amusement and recreation	**8,061,464**	4,004,719	2,413,221
Repairs and maintenance	**4,840,949**	4,442,071	173,365
Office supplies	**1,575,324**	1,097,359	78,027
Amortization of computer software	**594,359**	1,036,985	117,813
Donations and contributions	**710,500**	–	90,000
Others	**46,628,497**	61,645,367	60,376,675
	₱615,042,504	₱405,495,165	₱259,246,085

"Others" include legal expenses, books and periodicals, freight and handling, and miscellaneous expenses that do not have specific account classification.

17. Personnel Expenses

	2015	2014	2013
Salaries and wages (see Notes 15 and 16)	**₱545,211,254**	₱386,903,953	₱342,128,064
Employees' benefits (see Note 18)	**43,010,350**	39,654,711	22,902,077
	₱588,221,604	₱426,558,664	₱365,030,141

18. Pension Benefit Plan

Under the existing regulatory framework, Republic Act 7641, otherwise known as *The Retirement Pay Law*, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity. It further states that the employees' retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The Company has a funded, noncontributory, defined benefit pension plan ("Plan") covering all regular and full-time employees and requiring contributions to be made to separately administered fund. This Fund is in the form of a trust being maintained and managed by ACO, under the supervision of the BOT of the Plan. The BOT, whose members are also officers of the Company, is responsible for the investment of the Fund assets. Taking into account the Plans' objectives, benefit obligations and risk capacity, the BOT periodically defines the investment strategy in the form of a long-term target structure.

The following tables summarize the components of net benefit expense recognized in the parent company statements of income and the funded status and amounts recognized in the parent company balance sheets for the Plan.

Net benefit expense

	2015	2014	2013
Retirement expense recognized in the statements of income:			
Service cost	**₱43,056,700**	₱41,119,000	₱34,160,700
Net interest cost	**(15,968,350)**	(15,987,322)	(22,819,870)
	₱27,088,350	₱25,131,678	₱11,340,830

	2015	2014	2013
Remeasurement effects recognized in other comprehensive income:			
Actuarial gain (losses) on defined benefit plan	**(₱57,927,502)**	₱2,021,701	(₱60,895,548)
Return on assets excluding amount included in net interest cost	**(87,023,920)**	(37,161,121)	20,666,765
	(₱144,951,422)	(₱35,139,420)	(₱40,228,783)

Pension asset (liability)

	2015	2014
Fair value of plan assets	**₱521,316,613**	₱578,809,417
Present value of obligation	**(638,474,443)**	(523,927,475)
Pension asset (liability)	**(₱117,157,830)**	₱54,881,942

Changes in the present value of the defined benefit obligation are as follows:

	2015	2014
At January 1	**₱523,927,475**	₱473,247,163
Net benefit costs in parent company statements of income:		
Current service costs	**43,056,700**	41,119,000
Interest cost	**11,814,502**	11,467,213
	54,871,202	52,586,213
Benefits paid	**(2,241,445)**	(513,641)
Transfers	**3,989,709**	629,441
Remeasurements in other comprehensive income:		
Actuarial gain (loss) due to experience adjustments	**109,207,469**	(5,180,977)
Actuarial gain (loss) due to changes in financial assumptions	**(51,279,967)**	3,159,276
	57,927,502	(2,021,701)
At December 31	**₱638,474,443**	₱523,927,475

Changes in the fair value of plan assets are as follows:

	2015	2014
At January 1	**₱578,809,417**	₱560,296,650
Interest income included in net interest cost	**27,782,852**	27,454,535
Actual return excluding amount included in net interest cost	**(87,023,920)**	(37,161,121)
Benefits paid	**(2,241,445)**	(513,641)
Transfers	**3,989,709**	629,441
Actual contributions	**–**	28,103,553
At December 31	**₱521,316,613**	₱578,809,417

Changes in pension asset (liability) recognized in the balance sheets are as follows:

	2015	2014
At January 1	**₱54,881,942**	₱87,049,487
Retirement expense for the year	**(27,088,350)**	(25,131,678)
Actuarial loss recognized for the year	**(144,951,422)**	(35,139,420)
Contribution to retirement fund	**–**	28,103,553
At December 31	**(₱117,157,830)**	₱54,881,942

The fair value of plan assets by each class at the end of the reporting period are as follows:

	2015	2014
Cash and fixed-income investments	**₱247,287,020**	₱99,259,171
Equity instruments:		
Financial institution	**55,324,580**	383,276,557
Power	**76,180,229**	78,372,380
Holding	**–**	–
Others	**143,194,824**	178,986,090
Liabilities of the fund	**(670,040)**	(161,084,781)
Fair value of plan assets	**₱521,316,613**	₱578,809,417

All equity instruments held have quoted prices in the active market. The remaining plan assets do not have quoted market prices in active market.

The principal assumptions on December 31, 2015, 2014 and 2013 used in determining the net pension asset for the Company's plan are shown below:

	2015	2014	2013
Discount rate	**5.12%**	4.80%	4.90%
Salary increase rate	**6.00%**	7.00%	7.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of December 31, 2015 and 2014, assuming if all other assumptions were held constant:

		2015	2014
	Increase (decrease) in basis points	**Effect on defined benefit obligation**	Effect on defined benefit obligation
Discount rates	100	**(₱27,934,613)**	(₱27,454,910)
	(100)	**32,886,975**	32,689,751
Future salary increases	100	**₱30,590,306**	₱30,334,452
	(100)	**(26,551,632)**	(26,115,757)

The Company's defined benefit plan is funded by the Company.

The Company expects to contribute ₱134.8 million to the retirement fund in 2016.

The average duration of the defined benefit obligation as of December 31, 2015 and 2014 is 16.80 years and 18.55 years, respectively.

The BOT reviews the performance of the plans on a regular basis. It assesses whether the retirement plans will achieve investment returns which, together with contributions, will be sufficient to pay retirement benefits as they fall due. The Group (to which the Company belongs) also reviews the solvency position of the different member companies on an annual basis and estimates, through the actuary, the expected contribution to the Plan in the subsequent year.

19. Income Tax

The "Provision for income tax" account consists of:

	2015	2014	2013
Current:			
Corporate income tax	**₱13,918,860**	₱9,890,020	₱4,602,559
Final tax	**22,689,070**	8,108,405	3,184,236
	36,607,930	17,998,425	7,786,795
Deferred	**384,938**	(8,726,199)	(7,400,901)
	₱36,992,868	₱9,272,226	₱385,894

The current provisions for income tax in 2015, 2014 and 2013 represent MCIT.

The deferred income tax assets represent the tax effects of the following:

	2015	2014
Deferred tax recognized in parent company net income:		
Deferred income tax assets:		
MCIT	**₱14,492,579**	₱22,852,363
Unrealized foreign exchange loss	**3,032**	–
	14,495,611	22,852,363
Deferred tax liabilities:		
Unrealized foreign exchange gain	**–**	(48,854)
Pension asset	**(47,337,222)**	(55,260,182)
	(47,337,222)	(55,309,036)
Deferred income tax asset related to retirement benefit obligation recognized as other comprehensive loss	**83,095,212**	39,609,786
	₱50,253,601	₱7,153,113

In computing for deferred income tax assets and liabilities as of December 31, 2015 and 2014, the rate used was 30%, which is the rate expected to apply to taxable income in the years in which the deferred income tax assets and liabilities are expected to be recovered or settled.

As of December 31, 2015, the Company has the following NOLCO and MCIT that can be claimed as deduction from future taxable income or used as deduction against future income tax liabilities:

NOLCO

Period of Recognition	Availment Period	Amount	Applied	Expired	Balance
2012	2013-2015	₱140,328,976	₱–	₱140,328,976	₱–
2013	2014-2016	181,271,510	–	–	₱181,271,510
2014	2015-2017	365,396,733	–	–	365,396,733
2015	2016-2018	810,124,166	–	–	810,124,166
		₱1,497,121,385	₱–	₱140,328,976	₱1,356,792,409

MCIT

Period of Recognition	Availment Period	Amount	Applied	Expired	Balance
2012	2013-2015	₱8,359,784	₱–	₱8,359,784	₱–
2013	2014-2016	4,602,559	–	–	4,602,559
2014	2015-2017	9,890,020	–	–	9,890,020
2015	2016-2018	13,918,860	–	–	13,918,860
		₱36,771,223	₱–	₱8,359,784	₱28,411,439

The Company did not recognize deferred income tax asset on NOLCO and a portion of MCIT since management believes that the carryforward benefits of NOLCO and MCIT will not be utilized prior to their expiration.

The reconciliation of the provision for income tax on income before income tax computed at the statutory tax rate to the provision for income tax reported in the parent company statements of income follows:

	2015	2014	2013
Provision for income tax at the statutory tax rate of 30%	**₱3,197,331,438**	₱4,135,739,719	₱4,199,877,015
Add (deduct) income tax effects of the following:			
Nondeductible write-off (nontaxable reversal) of impairment on investments and advances, project costs and other assets	**285,436,654**	11,020,506	(7,867,514)
Unrecognized deferred tax assets on:			
NOLCO	**222,937,250**	109,619,020	54,381,453
MCIT	**13,918,860**	–	–
Nondeductible interest expense	**12,318,113**	4,254,483	1,576,509
Expired MCIT	**8,359,784**		
Gain on sale of investment	–	(112,560,384)	(762,982,463)
Nondeductible expenses	–	–	45,439
Interest income already subjected to final tax at lower rate	**(14,638,546)**	(4,783,966)	(1,593,066)
Nontaxable dividend income	**(3,688,670,685)**	(4,134,017,152)	(3,483,051,479)
	₱36,992,868	₱9,272,226	₱385,894

20. Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise cash in banks and cash equivalents, AFS investments and long-term debts. The main purpose of these financial instruments is to raise finance for the Company's operations and its investments in existing subsidiaries and associates and in new projects. The Company has other financial assets and liabilities such as trade and other receivables and accounts payable and accrued expenses which arise directly from operations.

The main risks arising from the Company's financial instruments are interest rate risk resulting from movements in interest rates that may have an impact on outstanding long-term loans; credit risk involving possible exposure to counter party default on its cash and cash equivalents and AFS investments; 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.

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company.

The Company's credit risk on its cash in banks and short-term investments, accounts receivables and advances to subsidiaries and associates pertains to possible default by the counterparty, with a maximum exposure equal to the carrying amount of these assets. With respect to short-term investments, the risk is mitigated by the short-term and/or liquid nature of its short-term investments mainly in bank deposits and placements, which are placed with financial institutions of high credit standing. With respect to accounts receivables and advances to subsidiaries and associates, credit risk is controlled by the application of credit approval, limit and monitoring procedures. It is the Company's policy that all debtors who wish to trade on credit terms are subject to credit procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

The Company has no significant concentration risk to a counterparty or company of counterparties.

As of December 31, 2015 and 2014, none of the Company's financial assets are past due nor impaired and the credit quality is considered to be of high grade as these are expected to be collectible without incurring any credit losses.

The Company trades with related parties and recognized, creditworthy third parties.

Counterparty risk
The Company's counterparty risk encompasses issuer risk on investment securities and credit risk on cash in bank. The Company manages its counterparty risk by transacting with counterparties of good financial condition and selecting investment grade securities.

The Company's maximum counterparty exposure is related to its cash and cash equivalents accounts which have a balance of ₱7.1 billion and ₱4.4 billion as of December 31, 2015 and 2014, respectively.

Liquidity risk
Liquidity risk is the potential of not meeting obligations as they come due because of an inability to liquidate assets or obtain adequate funding. The Company maintains sufficient cash and cash equivalents to finance its operations. Any excess cash is invested in short-term money market placements. These placements are maintained to meet maturing obligations and pay dividend declarations. The Company, in general, matches the appropriate long-term funding instruments with the general nature of its equity investments.

In managing its short-term fund requirements, the Company's policy is to ensure that there are sufficient working capital inflows to match repayments of short-term borrowings. With regards to its long-term financing requirements, the Company's policy is that not more than 35.0% of long-term borrowings should mature in any 12-month period. There are no debts maturing in less than one year from December 31, 2015. In previous year, 12.93% of the debts matured in less than twelve months from December 31, 2014.

The following table summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments (amounts in thousand pesos):

December 31, 2015

	Total Carrying Value	Contractual undiscounted payments				
		Total	On demand	Less than 1 year	1 to 5 years	More than 5 years
Accounts payable and accrued expenses	**₱688,366**	**₱638,431**	**₱–**	**₱638,431**	**₱–**	**₱–**
Long-term debts	**32,000,000**	**43,000,741**	**–**	**1,553,542**	**22,875,787**	**18,571,412**
Total	**₱32,688,366**	**₱43,639,172**	**₱–**	**₱2,191,973**	**₱22,875,787**	**₱18,571,412**

December 31, 2014

	Total Carrying Value	Contractual undiscounted payments				
		Total	On demand	Less than 1 year	1 to 5 years	More than 5 years
Accounts payable and accrued expenses	₱248,803	₱230,693	₱–	₱230,693	₱–	₱–
Long-term debts	9,188,000	11,639,779	–	1,606,796	1,426,854	8,606,129
Total	₱9,436,803	₱11,870,471	₱–	₱1,837,489	₱1,426,854	₱8,606,129

Market risk

The Company's activities expose it primarily to the financial risks of changes in interest rates. There has been no change to the Company's exposure to market risks or the manner in which it manages and measures the risk.

Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The Company's exposure to market risk for changes in interest rates relates primarily to its long-term debts obligations. To manage this risk, the Company determines the mix of its debt portfolio as a function of the level of current interest rates, the required tenor of the loan, and the general use of the proceeds of its various fund raising activities.

As of December 31, 2015 and 2014, 100% of the Company's long-term debts are with fixed rates, ranging from 4.41% to 6.02% and 4.41% to 5.23% respectively.

Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. The other financial instruments of the Company that are non-interest bearing, are

not subject to interest rate risk. Derivative assets and liabilities are subject to fair value interest rate risk.

Foreign exchange risk
The foreign exchange risk of the Company is mainly with respect to its foreign-currency-denominated cash and cash equivalents. 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.

	2015		2014	
	US Dollar	**Peso Equivalent**	US Dollar	Peso Equivalent
Financial assets				
Cash and cash equivalents	**$107,887**	**₱5,077,184**	$2,170,863	₱97,080,990

The exchange rate for December 31, 2015 and 2014 is ₱47.06 and ₱44.72 per US$1, respectively. As a result of the translation of these foreign currency denominated assets, the Company reported net realized foreign exchange losses of ₱22.2 million and ₱7.4 million in 2015 and 2014, respectively.

The following tables demonstrate the sensitivity to a reasonable possible change in the US dollar exchange rates, with all other variables held constant, of the Company's income before income tax as of December 31, 2015 and 2014:

	Increase (decrease) in US dollar rate against the Peso	Effect on income before income tax
2015	**US Dollar strengthens by 5%**	**₱253,859**
US dollar denominated accounts	**US Dollar weakens by 5%**	**(253,859)**
2014		
US dollar denominated accounts	US Dollar strengthens by 5%	₱4,854,050
	US Dollar weakens by 5%	(4,854,050)

Capital Management
Capital includes equity attributable to the equity holders of the parent company. The primary objective of the Company'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 Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes during the years ended December 31, 2015 and 2014.

The Company is required to maintain a certain level of equity under its bond trust agreement (see Note 12).

The Company monitors capital using a gearing ratio, which is net debts divided by equity plus net debts. The Company's policy is to keep the gearing ratio at 70% or below. The Company determines net debt as the sum of bank loans and long-term debts less cash and short-term deposits.

Gearing ratios of the Company as of December 31, 2015 and 2014 are as follows (amounts in thousand pesos):

	2015	2014
Long-term debts	**₱32,000,000**	₱9,188,000
Cash and cash equivalents	**(7,055,736)**	(4,395,122)
Net debts (a)	**24,944,264**	4,792,878
Equity	**34,418,479**	29,168,565
Equity and net debts (b)	**₱59,362,743**	₱33,961,443
Gearing ratio (a/b)	**42.02%**	14.11%

21. 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 value of all of the Company's long-term debts whose fair value is different from its carrying amount (amount in thousand pesos):

	2015		2014	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Liability:				
Other financial liability:				
Long-term debts:				
Fixed rate	**₱32,000,000**	**₱32,781,643**	₱9,188,000	₱9,027,868

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

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

Fixed-rate borrowings
The fair values of fixed rate interest bearing loans are based on the discounted value of future cash flows using the applicable rates for similar types of loans ranging from 4.52% to 5.97% and 3.19% to 5.29% in 2015 and 2014, respectively.

AFS investments
The fair value of AFS investments are based on quoted market prices.

Fair Value Hierarchy
The Company uses the following hierarchy for determining the fair value of financial instruments by valuation technique:

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

As of December 31, 2015 and 2014, the Company held the following financial instruments that are measured and carried or disclosed at fair value (amounts in thousand pesos):

December 31, 2015

	Total	**Level 1**	**Level 2**	**Level 3**
Carried at fair value:				
AFS investments	**₱12,457**	**₱12,457**	**₱–**	**₱–**
Disclosed at fair value:				
Long-term debts - fixed rate	**32,781,643**	**–**	**–**	**32,781,643**

December 31, 2014

	Total	Level 1	Level 2	Level 3
Carried at fair value:				
AFS investments	₱13,720	₱13,720	₱–	₱–
Disclosed at fair value:				
Long-term debts - fixed rate	9,027,868	–	–	9,027,868

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

22. Events After the Reporting Period

To comply with the requirements of Section 43 of the Corporation Code, on March 8, 2016, the BOD approved the following:

a. Declaration of a regular cash dividend of ₱1.06 per share (₱5.89 billion) to all stockholders of record as of March 22, 2016. These dividends 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.

b. Appropriation of ₱2.72 billion of the retained earnings as of December 31, 2015 for the funding of the estimated ₱1.0 billion purchase price adjustment on the acquisition of the Philippine business of Lafarge S.A. and for additional capital infusion into the following investees to finance their respective business expansion projects or ongoing plant construction (amounts in thousand pesos):

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

23. Supplementary Information Required Under Revenue Regulations (RR) 15-2010

On November 25, 2010, the Bureau of Internal Revenue (BIR) issued RR 15-2010, requiring additional tax disclosures on the notes to the financial statements that will be submitted as an attachment to tax returns.

The Company reported and/or paid the following types of taxes in 2015:

Value-added tax (VAT)

The Company's sales are subject to output VAT while its importations and purchases from other VAT-registered individuals or corporations are subject to input VAT. The VAT rate is 12.0%.

a. Net Sales/Receipts and Output VAT declared in the Company's VAT returns for 2015

	Net Sales/ Receipts	Output VAT
Taxable sales:		
Sale of goods	₱1,321,233	₱158,548
Sale of services	915,322,304	109,838,676
	916,643,537	109,997,224
Zero-rated sales	11,413,433	–
Exempt directors' fees	98,852,059	–
	₱1,026,909,029	₱109,997,224

Zero-rated sales of goods and services consist of those rendered to persons or entities whose exemptions are provided under special laws or international agreements to which the Philippines is a signatory.

b. Input VAT claimed per 2015 VAT Returns

Balance at January 1	₱8,815,909
Current year's domestic purchases/payments for:	
Goods other than for resale or manufacture	1,643,821
Capital goods subject to amortization	4,110,336
Capital goods not subject to amortization	100,893
Services lodged under cost of services sold and other accounts	33,013,088
	47,684,047
VAT input applied against VAT output	(39,500,513)
Balance at December 31	₱8,183,534

Other Taxes and Licenses for 2015

Taxes and licenses, local and national, include real estate taxes, licenses and permit fees for 2015:

Included in Operating Expenses:	
License and permits fees	₱6,888,754
Documentary stamps taxes	6,710,679
Fringe benefits taxes	139,586
Others	283,463
	₱14,022,482

Withholding Taxes

Final withholding taxes	₱282,032,287
Withholding taxes on compensation and benefits	152,045,040
Expanded withholding taxes	31,826,599
	₱465,903,926

Tax Assessments and Cases

The Company has no pending tax cases outside the administration of the BIR.

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	E	0	2	5	3	6				

COMPANY NAME

ABOITIZ EQUITY VENTURES, INC.
AND SUBSIDIARIES

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

32nd Street, Bonifacio Global
City, Taguig City, Metro Manil
a, Philippines

Form Type	Department requiring the report	Secondary License Type, If Applicable
ACFS	CFD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
www.aboitiz.com.ph	(032) 411-1800	None

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
9,328	May 16	December 31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Melinda R. Bathan	melinda.bathan@aboitiz.com	(032) 411-1710	Not available

CONTACT PERSON's ADDRESS

c/o Aboitiz Equity Ventures, Inc. - 32nd Street, Bonifacio Global City, Taguig City, Metro Manila, Philippines

NOTE 1 : In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2 : All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

SEC
Cebu Extension Office
APR 13 2016
By:
RECEIVED SUBJECT TO REVIEW OF FORM AND CONTENTS

aboitiz
Equity Ventures

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

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The management of **Aboitiz Equity Ventures, Inc.** is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2015 and 2014, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the consolidated financial statements and submit the same to the stockholders.

Sycip Gorres Velayo & Co., the independent auditors, appointed by the stockholders for the period December 31, 2015 and 2014 has examined the consolidated financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

JON RAMON M. ABOITIZ
Chairman of the Board

ERRAMON I. ABOITIZ
President & Chief Executive Officer

MANUEL R. LOZANO
Senior Vice President - Chief Financial Officer

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS DIVISION-CEBU
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Signed this 8th day of March, 2016.

aboitiz
Equity Ventures

Republic of the Philippines)
Taguig City) S.S.

Before me, a notary public in and for the city named above, personally appeared:

Name	Passport/CTC	Date/Place Issued
Jon Ramon M. Aboitiz	EB9718353	November 29, 2013, Cebu City
	02217649	February 10, 2016, Cebu City
Erramon I. Aboitiz	EB7151577	January 14, 2013, Cebu City
	02252882	January 26, 2016, Cebu City
Manuel R. Lozano	EC1926563	August 18, 2014, NCR South
	05092418	January 15, 2016, Makati City

who are personally known to me and to me known to be the same persons who presented the foregoing instrument and signed the instrument in my presence, and who took an oath before me as to such instrument.

Witness my hand and seal this _____ day of MAR 15 2016 _____ 2016.

Doc. No. 474;
Page No. 96;
Book No. III;
Series of 2016.

Joyce Grace B. Casas
Notary Public for Taguig City
Notarial Commission No. 271
Until December 31, 2016
NAC Tower, 32nd Street, Bonifacio Global City, Taguig City
PTR No. A-2626644; Taguig City; January 04, 2016
IBP No. 1017212; January 04, 2016; Taguig City
Roll No. 61486
MCLE No. V-0014277

ATTY. JOYCE GRACE B. CASAS
ROLL NO. 61486
NOTARY PUBLIC
PASIG, TAGUIG, SAN JUAN, PATEROS CITY, PHILS.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS DIVISION-CEBU
RECEIVED
APR 13 2016
DPCA SECTION INITIAL

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Aboitiz Equity Ventures, Inc.
32nd Street, Bonifacio Global City
Taguig City, Metro Manila, Philippines

We have audited the accompanying consolidated financial statements of Aboitiz Equity Ventures, Inc. and Subsidiaries, which comprise the consolidated balance sheets as at December 31, 2015 and 2014, and the consolidated statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2015, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Aboitiz Equity Ventures, Inc. and Subsidiaries as at December 31, 2015 and 2014, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2015 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Leovina Mae V. Chu

Leovina Mae V. Chu
Partner
CPA Certificate No. 99910
SEC Accreditation No. 1199-AR-1 (Group A),
June 22, 2015, valid until June 21, 2018
Tax Identification No. 209-316-911
BIR Accreditation No. 08-001998-96-2015,
January 5, 2015, valid until January 4, 2018
PTR No. 5321709, January 4, 2016, Makati City

March 8, 2016

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS DIVISION-CEBU
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DPCA SECTION INITIAL

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Amounts in Thousands)

	December 31	
	2015	2014
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱63,581,884**	₱50,481,566
Trade and other receivables (Note 5)	**18,828,936**	16,639,775
Inventories (Note 6)	**7,945,304**	7,664,499
Derivative asset (Note 36)	**185,283**	53,500
Other current assets (Notes 7 and 8)	**6,492,012**	4,041,372
Total Current Assets	**97,033,419**	78,880,712
Noncurrent Assets		
Trade receivables - net of current portion (Note 5)	**224,395**	292,414
Derivative asset - net of current portion (Note 36)	**378,083**	59,044
Property, plant and equipment (Notes 13 and 19)	**143,997,702**	126,203,724
Investments and advances (Note 10)	**73,435,061**	52,267,310
Investment properties (Notes 14 and 29)	**5,183,780**	4,441,417
Intangible asset - service concession rights (Note 15)	**3,226,536**	3,400,354
Land and improvements (Note 13)	**2,960,646**	1,970,211
Goodwill (Notes 9 and 12)	**2,073,972**	1,550,106
Available-for-sale (AFS) investments (Note 3)	**367,716**	64,244
Net pension assets (Note 30)	**106,621**	133,882
Deferred income tax assets (Note 31)	**699,549**	350,005
Other noncurrent assets (Notes 8 and 16)	**10,430,383**	11,383,133
Total Noncurrent Assets	**243,084,444**	202,115,844
TOTAL ASSETS	**₱340,117,863**	₱280,996,556
LIABILITIES AND EQUITY		
Current Liabilities		
Bank loans (Note 17)	**₱8,883,056**	₱7,343,700
Trade and other payables (Notes 18, 34 and 38)	**18,565,557**	15,631,565
Current portions of:		
Long-term debts (Note 19)	**3,133,346**	2,907,302
Long-term obligation on Power Distribution System (PDS) (Note 15)	**40,000**	40,000
Obligations under finance lease (Notes 13 and 22)	**2,583,754**	1,971,739
Income tax payable	**957,497**	694,604
Total Current Liabilities	**34,163,210**	28,588,910

(Forward)

	December 31	
	2015	2014
Noncurrent Liabilities		
Noncurrent portions of:		
Obligations under finance lease (Notes 13 and 22)	**₱51,085,100**	₱52,489,282
Long-term debts (Note 19)	**95,414,386**	53,814,682
Long-term obligations on PDS (Note 15)	**207,184**	216,015
Trade payables (Notes 18 and 34)	**302,202**	345,915
Customers' deposits (Note 20)	**6,581,459**	5,943,305
Asset retirement obligation (Note 21)	**3,016,528**	2,353,250
Deferred income tax liabilities (Note 31)	**1,607,906**	1,760,139
Net pension liability (Note 30)	**755,446**	550,094
Total Noncurrent Liabilities	**158,970,211**	117,472,682
Total Liabilities	**193,133,421**	146,061,592
Equity Attributable to Equity Holders of the Parent		
Capital stock (Note 23)	**5,694,600**	5,694,600
Additional paid-in capital (Note 23)	**7,683,568**	6,911,044
Other equity reserves:		
Gain on dilution (Note 2)	**5,376,176**	5,376,176
Excess of book value over acquisition cost of an acquired subsidiary (Note 9)	**469,540**	469,540
Acquisition of non-controlling interests (Note 2)	**(1,577,075)**	(1,577,075)
Accumulated other comprehensive income:		
Net unrealized mark-to-market gains on AFS investments	**14,188**	14,627
Cumulative translation adjustments (Note 36)	**176,379**	35,533
Actuarial losses on defined benefit plans (Note 30)	**(795,967)**	(708,448)
Share in actuarial losses on defined benefit plans of associates and joint ventures (Note 10)	**(334,456)**	(315,444)
Share in cumulative translation adjustments of associates and joint ventures (Note 10)	**(193,921)**	(277,293)
Share in net unrealized mark-to-market losses on AFS investments of associates (Note 10)	**(3,748,731)**	(1,496,305)
Retained earnings (Note 24)	**106,521,242**	94,995,596
Treasury stock at cost (Note 23)	**(1,065,585)**	(1,178,397)
	118,219,958	107,944,154
Non-controlling Interests	**28,764,484**	26,990,810
Total Equity	**146,984,442**	134,934,964
TOTAL LIABILITIES AND EQUITY	**₱340,117,863**	₱280,996,556

See accompanying Notes to Consolidated Financial Statements.

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Earnings Per Share Amounts)

	Years Ended December 31		
	2015	2014	2013
REVENUES			
Sale of:			
Power and electricity (Note 25)	**₱84,874,038**	₱86,136,648	₱71,810,961
Goods	**20,982,378**	17,862,179	15,125,115
Real estate (Notes 13 and 25)	**2,732,878**	3,267,741	1,760,573
Fair value of swine (Note 8)	**1,786,095**	1,878,236	1,306,475
Service fees (Note 38)	**827,222**	252,028	714,428
Others (Note 34)	**57,357**	470,458	158,742
	111,259,968	109,867,290	90,876,294
COSTS AND EXPENSES			
Cost of generated and purchased power (Notes 5, 26, 27 and 38)	**46,426,239**	50,870,515	42,357,799
Cost of goods sold (Notes 6 and 27)	**18,011,108**	14,722,760	13,300,399
Operating expenses (Notes 27, 34, 38 and 39)	**17,972,039**	17,383,920	12,844,466
Cost of real estate sales (Note 6)	**1,328,650**	2,235,576	1,078,392
Overhead expenses (Note 27)	**103,532**	108,789	71,755
	83,841,568	85,321,560	69,652,811
OPERATING PROFIT	**27,418,400**	24,545,730	21,223,483
Share in net earnings of associates and joint ventures (Note 10)	**6,589,452**	7,244,241	10,596,577
Interest expense (Notes 22, 34 and 35)	**(7,881,566)**	(6,696,445)	(5,748,235)
Interest income (Notes 4, 34 and 35)	**1,132,001**	591,136	481,461
Other income - net (Notes 5, 29 and 34)	**224,010**	1,906,530	541,503
INCOME BEFORE INCOME TAX	**27,482,297**	27,591,192	27,094,789
PROVISION FOR INCOME TAX (Note 31)	**4,324,819**	4,026,326	886,552
NET INCOME	**₱23,157,478**	₱23,564,866	₱26,208,237
ATTRIBUTABLE TO:			
Equity holders of the parent	**₱17,679,116**	₱18,380,620	₱21,027,470
Non-controlling interests	**5,478,362**	5,184,246	5,180,767
	₱23,157,478	₱23,564,866	₱26,208,237
EARNINGS PER SHARE (Note 32)			
Basic and diluted, for net income for the year attributable to ordinary equity holders of the parent	**₱3.184**	₱3.324	₱3.808

See accompanying Notes to Consolidated Financial Statements.

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	Years Ended December 31		
	2015	2014	2013
NET INCOME ATTRIBUTABLE TO:			
Equity holders of the parent	**₱17,679,116**	₱18,380,620	₱21,027,470
Non-controlling interests	**5,478,362**	5,184,246	5,180,767
	23,157,478	23,564,866	26,208,237
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified to consolidated statements of income:			
Movement in cumulative translation adjustments	**174,906**	64,539	151,913
Movement in net unrealized mark-to-market gains (losses) on AFS investments	**(439)**	1,405	(6,651)
Share in movement in cumulative translation adjustments of associates and joint ventures (Note 10)	**119,113**	13,068	459,032
Share in movement in net unrealized mark-to-market gains (losses) on AFS investments of associates (Note 10)	**(2,245,010)**	1,914,372	(4,246,487)
	(1,951,430)	1,993,384	(3,642,193)
Items that will not be reclassified to consolidated statements of income:			
Movement in actuarial gains (losses) on defined benefit plans, net of tax	**(87,519)**	149,154	(435,612)
Share in movement in actuarial gains (losses) on defined benefit plans of associates and joint ventures, net of tax	**(8,751)**	(172,593)	135,660
	(96,270)	(23,439)	(299,952)
TOTAL COMPREHENSIVE INCOME	**₱21,109,778**	₱25,534,811	₱22,266,092
ATTRIBUTABLE TO:			
Equity holders of the parent	**₱15,543,938**	₱20,353,550	₱16,977,564
Non-controlling interests	**5,565,840**	5,181,261	5,288,528
	₱21,109,778	₱25,534,811	₱22,266,092

See accompanying Notes to Consolidated Financial Statements.

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 and 2013

(Amounts in Thousands, Except Dividends Per Share Amounts)

	Attributable to equity holders of the parent															
	Capital Stock: Common (Note 23)	Additional Paid-in Capital	Gain on Dilution	Excess of Book Value Over Acquisition Cost of an Acquired Subsidiary (Note 9)	Acquisition of Non-controlling Interest (Note 2)	Net Unrealized Mark-to-Market Gains on AFS Investments	Cumulative Translation Adjustment (Note 36)	Actuarial Losses on Defined Benefit Plans, net of tax (Note 30)	Share in Actuarial Losses on Defined Benefit Plans of Associates and Joint Ventures (Note 10)	Share in Cumulative Translation Adjustments of Associates and Joint Ventures (Note 10)	Share in Net Unrealized Mark to-Market Losses on AFS Investments of Associates (Note 10)	Retained Earnings (Note 24)	Treasury Stock (Note 23)	Total	Non-controlling Interest	Total
Balances at January 1, 2015	₱5,694,600	₱6,911,044	₱5,376,176	₱469,540	(₱1,577,075)	₱14,627	₱35,533	(₱708,448)	(₱315,444)	(₱277,293)	(₱1,496,305)	₱94,995,596	(₱1,178,397)	₱107,944,154	₱26,990,810	₱134,934,964
Net income for the year	–	–	–	–	–	–	–	–	–	–	–	17,679,116	–	17,679,116	5,478,362	23,157,478
Other comprehensive income																
Movement of net unrealized mark-to-market gains (losses) on AFS investments	–	–	–	–	–	(439)	–	–	–	–	–	–	–	(439)	–	(439)
Movement in cumulative translation adjustments	–	–	–	–	–	–	140,846	–	–	–	–	–	–	140,846	34,060	174,906
Actuarial losses on defined benefit plans, net of tax	–	–	–	–	–	–	–	(87,519)	–	–	–	–	–	(87,519)	–	(87,519)
Share in movement in actuarial gains (losses) on defined benefit plan of associates and joint ventures	–	–	–	–	–	–	–	–	(19,012)	–	–	–	–	(19,012)	10,261	(8,751)
Share in cumulative translation adjustment of associates and joint ventures	–	–	–	–	–	–	–	–	–	83,372	–	–	–	83,372	35,741	119,113
Share in movement in unrealized mark-to-market gains (losses) on AFS investments of associates	–	–	–	–	–	–	–	–	–	–	(2,252,426)	–	–	(2,252,426)	7,416	(2,245,010)
Total comprehensive income (loss) for the year	–	–	–	–	–	(439)	140,846	(87,519)	(19,012)	83,372	(2,252,426)	17,679,116	–	15,543,938	5,565,840	21,109,778
Cash dividends - ₱1.11 per share (Note 24)	–	–	–	–	–	–	–	–	–	–	–	(6,153,470)	–	(6,153,470)	–	(6,153,470)
Cash dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(4,243,450)	(4,243,450)
Sale of treasury shares	–	772,524	–	–		–	–	–	–	–	–	–	112,812	885,336	–	885,336
Changes in non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	–	451,284	451,284
Balances at December 31, 2015	₱5,694,600	₱7,683,568	₱5,376,176	₱469,540	(₱1,577,075)	₱14,188	₱176,379	(₱795,967)	(₱334,456)	(₱193,921)	(₱3,748,731)	₱106,521,242	(₱1,065,585)	₱118,219,958	₱28,764,484	₱146,984,442

	Attributable to equity holders of the parent															
	Capital Stock: Common (Note 23)	Additional Paid-in Capital	Gain on Dilution	Excess of Book Value Over Acquisition Cost of an Acquired Subsidiary (Note 9)	Acquisition of Non-controlling Interest (Note 2)	Net Unrealized Mark-to-Market Gains on AFS Investments	Cumulative Translation Adjustment (Note 36)	Actuarial Losses on Defined Benefit Plans, net of tax (Note 30)	Share in Actuarial Losses on Defined Benefit Plans of Associates and Joint Ventures (Note 10)	Share in Cumulative Translation Adjustments of Associates and Joint Ventures (Note 10)	Share in Net Unrealized Mark to-Market Losses on AFS Investments of Associates (Note 10)	Retained Earnings (Note 24)	Treasury Stock (Note 23)	Total	Non-controlling Interest	Total
Balances at January 1, 2014	₱5,694,600	₱6,110,957	₱5,376,176	₱469,540	(₱1,262,862)	₱7,881	(₱14,534)	(₱857,602)	(₱156,925)	(₱295,546)	(₱3,403,534)	₱86,554,345	(₱1,295,163)	₱96,927,333	₱25,622,139	₱122,549,472
Net income for the year	–	–	–	–	–	–	–	–	–	–	–	18,380,620	–	18,380,620	5,184,246	23,564,866
Other comprehensive income																
Movement of net unrealized mark-to-market gains (losses) on AFS investments	–	–	–	–	–	6,746	–	–	–	–	–	–	–	6,746	(5,341)	1,405
Movement in cumulative translation adjustments	–	–	–	–	–	–	50,067	–	–	–	–	–	–	50,067	14,472	64,539
Actuarial gains (losses) on defined benefit plans, net of tax	–	–	–	–	–	–	–	149,154	–	–	–	–	–	149,154	–	149,154
Share in movement in actuarial losses on defined benefit plan of associates and joint ventures	–	–	–	–	–	–	–	–	(158,519)	–	–	–	–	(158,519)	(14,074)	(172,593)
Share in cumulative translation adjustment of associates and joint ventures	–	–	–	–	–	–	–	–	–	18,253	–	–	–	18,253	(5,185)	13,068
Share in movement in unrealized mark-to-market gains on AFS investments of associates	–	–	–	–	–	–	–	–	–	–	1,907,229	–	–	1,907,229	7,143	1,914,372
Total comprehensive income (loss) for the year	–	–	–	–	–	6,746	50,067	149,154	(158,519)	18,253	1,907,229	18,380,620	–	20,353,550	5,181,261	25,534,811
Excess of acquisition cost over carrying value of non-controlling interests (Note 2)	–	–	–	–	(314,213)	–	–	–	–	–	–	–	–	(314,213)	–	(314,213)
Cash dividends - ₱1.80 per share (Note 24)	–	–	–	–	–	–	–	–	–	–	–	(9,939,369)	–	(9,939,369)	–	(9,939,369)
Cash dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(3,752,913)	(3,752,913)
Sale of treasury shares	–	800,087	–	–		–	–	–	–	–	–	–	116,766	916,853	–	916,853
Changes in non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(59,677)	(59,677)
Balances at December 31, 2014	₱5,694,600	₱6,911,044	₱5,376,176	₱469,540	(₱1,577,075)	₱14,627	₱35,533	(₱708,448)	(₱315,444)	(₱277,293)	(₱1,496,305)	₱94,995,596	(₱1,178,397)	₱107,944,154	₱26,990,810	₱134,934,964

	Attributable to equity holders of the parent															
	Capital Stock: Common (Note 23)	Additional Paid-in Capital	Gain on Dilution	Excess of Book Value Over Acquisition Cost of an Acquired Subsidiary (Note 9)	Acquisition of Non-controlling Interest (Note 2)	Net Unrealized Mark-to-Market Gains on AFS Investments	Cumulative Translation Adjustment (Note 36)	Actuarial Losses on Defined Benefit Plans, net of tax (Note 30)	Share in Actuarial Gains (Losses) on Defined Benefit Plans of Associates and Joint Ventures (Note 10)	Share in Cumulative Translation Adjustments of Associates and Joint Ventures (Note 10)	Share in Net Unrealized Mark to-Market Gain (Losses) on AFS Investments of Associates (Note 10)	Retained Earnings (Note 24)	Treasury Stock (Note 23)	Total	Non-controlling Interest	Total
Balances at January 1, 2013	₱5,694,600	₱6,110,957	₱5,376,176	₱469,540	(₱1,165,931)	₱4,851	(₱132,763)	(₱421,990)	(₱322,531)	(₱648,552)	₱850,631	₱76,570,619	(₱1,295,163)	₱91,090,444	₱21,907,845	₱112,998,289
Net income for the year	–	–	–	–	–	–	–	–	–	–	–	21,027,470	–	21,027,470	5,180,767	26,208,237
Other comprehensive income																
Movement of net unrealized mark-to-market gains (losses) on AFS investments	–	–	–	–	–	3,030	–	–	–	–	–	–	–	3,030	(9,681)	(6,651)
Movement in cumulative translation adjustments	–	–	–	–	–	–	118,229	–	–	–	–	–	–	118,229	33,684	151,913
Actuarial losses on defined benefit plans, net of tax	–	–	–	–	–	–	–	(435,612)	–	–	–	–	–	(435,612)	–	(435,612)
Share in movement in actuarial gains (losses) on defined benefit plan of associates and joint ventures	–	–	–	–	–	–	–	–	165,606	–	–	–	–	165,606	(29,946)	135,660
Share in cumulative translation adjustment of associates and joint ventures	–	–	–	–	–	–	–	–	–	353,006	–	–	–	353,006	106,026	459,032
Share in movement in unrealized mark-to-market gains (losses) on AFS investments of associates	–	–	–	–	–	–	–	–	–	–	(4,254,165)	–	–	(4,254,165)	7,678	(4,246,487)
Total comprehensive income (loss) for the year	–	–	–	–	–	3,030	118,229	(435,612)	165,606	353,006	(4,254,165)	21,027,470	–	16,977,564	5,288,528	22,266,092
Excess of acquisition cost over carrying value of non-controlling interests (Note 2)	–	–	–	–	(96,931)	–	–	–	–	–	–	–	–	(96,931)	13,045	(83,886)
Cash dividends - ₱2.00 per share (Note 24)	–	–	–	–	–	–	–	–	–	–	–	(11,043,744)	–	(11,043,744)	–	(11,043,744)
Cash dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(3,930,354)	(3,930,354)
Changes in non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	–	2,343,075	2,343,075
Balances at December 31, 2013	₱5,694,600	₱6,110,957	₱5,376,176	₱469,540	(₱1,262,862)	₱7,881	(₱14,534)	(₱857,602)	(₱156,925)	(₱295,546)	(₱3,403,534)	₱86,554,345	(₱1,295,163)	₱96,927,333	₱25,622,139	₱122,549,472

See accompanying Notes to Consolidated Financial Statements.

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Years Ended December 31		
	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱27,482,297**	₱27,591,192	₱27,094,789
Adjustments for:			
Interest expense (Note 35)	**7,881,566**	6,696,445	5,748,235
Depreciation and amortization (Note 27)	**4,956,308**	5,160,897	4,339,683
Net unrealized foreign exchange losses	**1,392,912**	188,901	2,110,911
Provision for decline in value of project costs and various assets	**138,553**	64,677	103,514
Loss (gain) on sale of:			
Property, plant and equipment (Note 13)	**71,402**	(15,958)	(47,291)
AFS investments (Note 3)	**–**	23	–
Investment in subsidiary and associate (Notes 9 and 10)	**–**	(638,878)	(1,294,659)
Provision for impairment loss on investments and advances (Note 10)	**13,937**	2,834	657,510
Write-off of goodwill on investment (Note 12)	**–**	–	368,904
Gain on remeasurement in step acquisition (Note 9)	**–**	–	(964,600)
Dividend income (Note 29)	**(1,810)**	(89)	(338)
Net unrealized valuation gain on investment property	**(186,512)**	(5,001)	(20,884)
Unrealized mark-to-market losses (gains) on derivatives	**(317,645)**	897	(394)
Interest income	**(1,132,001)**	(591,136)	(481,461)
Share in net earnings of associates and joint ventures (Note 10)	**(6,589,452)**	(7,244,241)	(10,596,577)
Operating income before working capital changes	**33,709,555**	31,210,563	27,017,342
Decrease (increase) in:			
Trade and other receivables	**(499,797)**	(5,034)	(3,923,828)
Inventories	**(638,947)**	1,514,708	(1,488,493)
Pension asset	**24,942**	–	–
Other current assets	**(2,669,217)**	(560,495)	(1,124,068)
Increase (decrease) in:			
Trade and other payables (Note 9)	**351,764**	(2,600,976)	3,710,855
Pension liability	**123,329**	–	–
Long-term obligation on PDS	**(40,000)**	(40,000)	(40,000)
Customers' deposits	**953,714**	605,996	2,921,525
Net cash generated from operations	**31,315,343**	30,124,762	27,073,333
Income and final taxes paid	**(4,056,356)**	(3,020,302)	(1,729,652)
Net cash flows from operating activities	**27,258,987**	27,104,460	25,343,681
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash dividends received (Note 10)	**5,126,894**	5,957,286	5,248,482
Proceeds from sale of common shares and redemption of preferred shares of associates and joint ventures (Note 10)	**2,649,204**	637,732	340,430
Interest received	**1,123,646**	506,094	427,767
Proceeds from sale of:			
AFS investments	**214,555**	456	11,800
Property, plant and equipment	**145,378**	25,176	144,057

(Forward)

	Years Ended December 31		
	2015	2014	2013
Acquisition through business combination, net of cash acquired (Note 9)	**₱101,374**	(₱1,229,760)	(₱847,934)
Disposal of a subsidiary, net of cash disposed (Note 9)	**–**	254,343	3,418,636
Additions to:			
AFS investments	**–**	(1,173)	–
Land and improvements (Note 13)	**(685,642)**	(200,083)	(617,608)
Property, plant and equipment and investment properties (Notes 13 and 14)	**(19,514,009)**	(16,651,075)	(17,335,118)
Investments in and advances to associates (Note 10)	**(24,229,823)**	(1,400,685)	(2,058,015)
Increase in intangible asset - service concession rights (Note 15)	**(20,046)**	(36,286)	(41,584)
Increase in other noncurrent assets	**(1,504,063)**	(2,285,272)	(1,252,453)
Net cash flows used in investing activities	**(36,592,532)**	(14,423,247)	(12,561,540)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of long-term debts - net of transaction costs (Note 19)	**44,494,653**	22,788,325	28,976,900
Net proceeds from (settlements of) bank loans	**1,055,647**	3,666,100	(3,712,791)
Proceeds from issuance of treasury shares (Note 23)	**885,336**	916,853	–
Acquisition of non-controlling interests (Note 9)	**–**	(1,010,045)	(84,018)
Interest paid	**(3,350,218)**	(2,033,042)	(968,925)
Cash dividends paid and other changes to non-controlling interest	**(4,243,450)**	(3,752,913)	(3,930,354)
Cash dividends paid to equity holders of the parent (Note 25)	**(6,153,470)**	(9,939,369)	(11,043,744)
Payments of:			
Payable to preferred shareholder of a subsidiary	**–**	–	(62,140)
Long-term debts (Note 19)	**(2,813,140)**	(2,002,259)	(12,888,615)
Obligations under finance lease (Note 21)	**(7,482,447)**	(6,970,625)	(6,722,939)
Net cash flows from (used in) financing activities	**22,392,911**	1,663,025	(10,436,626)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**13,059,366**	14,344,238	2,345,515
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**40,952**	19,138	42,144
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**50,481,566**	36,118,190	33,730,531
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱63,581,884**	₱50,481,566	₱36,118,190

See accompanying Notes to Consolidated Financial Statements.

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Thousands, Except Par Value, Earnings Per Share, Number of Shares, and When Otherwise Indicated)

1. Corporate Information

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

The Company and its subsidiaries (collectively referred to as the "Group") are engaged in various business activities mainly in the Philippines, including power generation and distribution, food manufacturing, banking and financial services, real estate development, and infrastructure (see Note 33). The Company is the publicly-listed holding and management company of the Group. The parent and the ultimate parent of the Company is Aboitiz & Company, Inc. (ACO).

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

The consolidated financial statements of the Group were approved and authorized for issue in accordance with a resolution by the Board of Directors (BOD) of the Company on March 8, 2016.

2. Basis of Preparation, Statement of Compliance and Summary of Significant Accounting Policies

Basis of Preparation

The accompanying consolidated financial statements of the Group have been prepared on a historical cost basis, except for derivative financial instruments, quoted AFS investments and investment properties which are measured at fair value, and agricultural produce and certain biological assets which are measured at fair value less estimated costs to sell. The consolidated financial statements are presented in Philippine peso, which is the Company's functional currency, and all values are rounded to the nearest thousands, except for earnings per share and exchange rates and as otherwise indicated.

Statement of Compliance

The consolidated financial statements of the Group are prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and revised standards and Philippine Interpretations which were applied starting January 1, 2015. These new and revised standards and interpretations did not have any significant impact on the Group's financial statements:

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

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

Annual Improvements to PFRSs (2010-2012 cycle)
The Annual Improvements to PFRSs (2010-2012 cycle) are effective for annual periods beginning on or after January 1, 2015 and have no material impact on the Group. They include:

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

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

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

- PFRS 8, *Operating Segments – Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
  The amendments are applied retrospectively and clarify that:

  a. An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
  b. The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

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

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

Annual Improvements to PFRSs (2011-2013 cycle)
The Annual Improvements to PFRSs (2011-2013 cycle) are effective for annual periods beginning on or after January 1, 2015 and have no material impact on the Group. They include:

- PFRS 3, *Business Combinations – Scope Exceptions for Joint Arrangements*
  The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:

  a. Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
  b. This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

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

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

New Standards and Interpretation Issued and Effective after December 31, 2015
The Group will adopt the standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS, PAS and Philippine Interpretations to have significant impact on its financial statements.

Deferred

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11 or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the Philippine Financial Reporting Standards Council have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

  Adoption of the interpretation when it becomes effective will potentially have an impact on the financial statements of the Group.

Effective January 1, 2016

- PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception* (Amendments)
  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. These amendments are effective for annual periods beginning on or after January 1, 2016. These amendments are not expected to have any impact on the Group.

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

  The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption

permitted. The Group shall consider these amendments if it enters into this type of arrangement in the future.

- PFRS 14, *Regulatory Deferral Accounts*
  PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items 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. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. This standard is not applicable since the Group is an existing PFRS preparer.

- 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. These amendments are not expected to have any impact on the Group.

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments)
  The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These will 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. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These will 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. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on the Group's consolidated financial statements.

Annual Improvements to PFRSs (2012-2014 cycle)

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

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

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

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

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

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

Effective January 1, 2018

- 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.

Effective January 1, 2019

- 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.

Basis of Consolidation

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

		2015		2014	
	Nature of Business	**Direct**	**Indirect**	**Direct**	**Indirect**
Aboitiz Power Coporation (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
Mactan Enerzone Corporation (MEZ)	Power	–	**100.00**	–	100.00
Lima Enerzone Corporation (LEZ) (formerly Lima Utilities Corporation) (see Note 9)	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 Co., Inc. (VECO) (see Note 9)	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. (formerly Hedcor Bokod, Inc.)*	Power	–	**100.00**	–	100.00
Hedcor Benguet, Inc.*	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. (Hedcor Sabangan)*	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	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.	Power	–	**60.00**	–	60.00
Therma Power Visayas, Inc. *	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. *	Power	–	**100.00**	–	100.00
La Filipina Elektrika, Inc. (LFEI, formerly Therma Southern Mindanao, Inc.)*	Power	–	–	–	100.00
Therma Subic, Inc.*	Power	–	**100.00**	–	100.00
Therma Visayas, Inc. (TVI)*	Power	–	**80.00**	–	80.00
Adventenergy, Inc. (AI)	Power	–	**100.00**	–	100.00
Cebu Private Power Corporation (CPPC)	Power	–	**60.00**	–	60.00
Prism Energy, Inc. (PEI)*	Power	–	**60.00**	–	60.00

(Forward)

	Nature of Business	2015 Direct	2015 Indirect	2014 Direct	2014 Indirect
Pilmico Foods Corporation (PILMICO) and Subsidiaries	Food manufacturing	**100.00**	–	100.00	–
Filagri Holdings, Inc.	Holding company	–	**100.00**	–	100.00
Pilmico Animal Nutrition Corporation (PANC)	Food manufacturing	–	**100.00**	–	100.00
Filagri, Inc.	Food manufacturing	–	**100.00**	–	100.00
AboitizLand, Inc. (AboitizLand) and Subsidiaries (see Note 9)	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 Subsidiary (see Note 9)	Real estate	–	**100.00**	–	100.00
Lima Water Corporation (LWC)	Water	–	**100.00**	–	100.00
AEV International Pte. Ltd. (AEV International)	Holding	**100.00**	–	100.00	–
Pilmico International Pte. Ltd. (Pilmico International)	Holding	–	**100.00**	–	100.00
Pilmico VHF Joint Stock Company (Pilmico VHF) (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**	–	–	–
Apo Agua Infrastructura, Inc.*	Supply of treated bulk water	**70.00**	–	–	–

[1]Hedcor Itogon, Inc. and Hedcor Manolo Fortich, Inc. were incorporated in 2011; Hedcor Ifugao, Inc., Hedcor Kalinga, Inc. and NCGI were incorporated in 2013. AP Solar Tiwi, Inc., Hedcor Cordillera, Inc., and Mt. Apo Geopower, Inc. were incorporated in 2014.
[2]On April 25, 2012, SEC approved the change in corporate name of Vesper Industrial and Development Corporation to TVI.
[3]On February 3, 2014, SEC approved the change in corporate name of Hedcor Bokod, Inc. to Hedcor Mt. Province, Inc.
[4]On July 15, 2014, SEC approved the change in corporate name of Lima Utilities Corporation to LEZ.
[5]In 2014, TPI entered into a joint arrangement with TPEC Holdings Corporation effectively reducing its ownership in PEC to 50%. As a result, PEC ceased to be classified as a subsidiary (see Note 9).
[6]In 2014, TPI entered into an agreement with Vivant Integrated Generation Corporation for the development, construction and operation of a coal-fired power generation facility, effectively reducing its ownership in TVI to 80%.
**No commercial operations as of December 31, 2015 and December 31, 2014.*

Except for AIPL, AEV International and Pilmico International (all incorporated in Singapore) and Pilmico VHF (incorporated in Vietnam), all the subsidiaries were incorporated in the Philippines.

On December 18, 2013, the Company purchased additional 3.8 million shares in AP for a total consideration of ₱119.4 million, increasing its ownership in AP from 76.83% to 76.88%.

The difference of the cost of acquisition over the carrying amount of the non-controlling interest amounting to ₱84.0 million in 2013 is recorded under “Acquisition of non-controlling interests” in the consolidated statements of changes in equity.

The unrealized gain on dilution primarily pertains to the reduction in the Company’s interest in AP (formerly 100%) when the latter completed its initial public offering in 2007.

Basis of consolidation
The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at December 31 of each year.

The Group controls an investee if and only if the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interests;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

Transactions with Non-controlling Interests

Non-controlling interests represent the portion of profit or loss and net assets in the subsidiaries not held by the Group and are presented separately in the consolidated statement of income and within equity in the consolidated balance sheet, separately from the equity attributable to equity holders of the parent. Transactions with non-controlling interests are accounted for as equity transactions. On acquisitions of non-controlling interests, the difference between the consideration and the book value of the share of the net assets acquired is reflected as being a transaction between owners and recognized directly in equity. Gain or loss on disposals to non-controlling interest is also recognized directly in equity.

Summary of Significant Accounting Policies

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

The Group's valuation team (the Team) determines the policies and procedures for fair value measurement of its investment properties, and property, plant and equipment. External valuers (the Valuers) are involved in the periodic valuation of these assets. The respective subsidiary's Team decides the selection of the Valuers after discussion with and approval by its Chief Financial Officer (CFO). Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Team also determines, after discussions with the chosen valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the Team analyzes the movements in the values of the investment properties, and property, plant and equipment which are required to be re-measured or re-assessed in accordance with the subsidiary's accounting policies. The Team, in coordination with the Valuers, also compares each of the changes in the fair value of each property with relevant external sources to determine whether the change is reasonable.

On the re-appraisal year, the Team and Valuers present the valuation results and the major assumptions used in the valuation to its CFO.

Cash and Cash Equivalents

Cash and cash equivalents in the consolidated balance sheet consist of cash on hand and with banks, and short-term, highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value. They are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Financial Instruments

Date of recognition

The Group recognizes a financial asset or a financial liability in the consolidated balance sheet on the date when it becomes a party to the contractual provisions of the instrument. All regular way purchases and sales of financial assets are recognized on trade date, which is the date that the Group commits to purchase the asset. Regular way purchases or sales of financial assets are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace. Derivatives are recognized on a trade date basis.

Initial recognition of financial instruments
All financial assets and financial liabilities are recognized initially at fair value. Except for financial assets at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments, and AFS investments. For financial liabilities, the Group also classifies them into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. The Group determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

"Day 1" difference
Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in the consolidated statement of income unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference amount.

Financial assets and financial liabilities at FVPL
Financial assets and financial liabilities at FVPL include financial assets held for trading and financial assets designated upon initial recognition as FVPL.

Financial assets and financial liabilities are classified as held for trading if they are acquired for the purpose of selling and repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments in an effective hedge or a financial guarantee contract. Gains or losses on investments held for trading are recognized in the consolidated statement of income.

Financial assets and financial liabilities may be designated at initial recognition as at FVPL if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing the gains or losses on them on a different basis; or (ii) the assets and liabilities are part of a group of financial assets, liabilities or both which are managed and their performance evaluated on fair value basis, in accordance with a documented risk management strategy; or (iii) the financial instrument contains an embedded derivative that would need to be separately recorded. Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset or financial liabilities at FVPL, except when the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets and liabilities at FVPL are recorded in the consolidated balance sheet at fair value. Subsequent changes in fair value are recognized in the consolidated statement of income. Interest earned or incurred is recorded as interest income or expense, respectively, while dividend income is recorded as other income when the right to receive payment has been established.

Financial instruments included in this classification are the Group's derivative asset and derivative liability (see Note 36).

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not reclassified or designated as AFS investments or financial assets at FVPL. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest method less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate (EIR) and transaction costs. Gains and losses are recognized in the consolidated statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are included in current assets if maturity is within 12 months from the balance sheet date. Otherwise, they are classified as non-current assets.

Financial assets included in this classification are the Group's cash in banks and cash equivalents, trade and other receivables and restricted cash (see Note 36).

HTM investments
HTM investments are quoted non-derivative financial assets which carry fixed or determinable payments and fixed maturities and which the Group has the positive intention and ability to hold to maturity. After the initial measurement, held to maturity investments are measured at amortized cost. This cost is computed as the amount initially recognized less principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initially recognized amount and the maturity amount, less allowance for impairment. This calculation includes all fees and points paid or received between the parties to the contract that are integral part of the EIR, transaction costs and all other premiums and discounts. Where the Group sells other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified as AFS investments. Gains and losses are recognized in the consolidated statement of income when the investments are impaired, as well as through the amortization process.

As of December 31, 2015 and 2014, the Group has no HTM investments.

AFS investments
AFS financial investments include equity and debt securities. Equity investments classified as available-for sale are those which are neither classified as held for trading nor designated as at FVPL. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period. After initial recognition, AFS financial investments are measured at fair value with unrealized gains or losses being recognized in the other comprehensive income and in equity as "Net unrealized mark-to-market gains on AFS investments". When the investment is disposed of, the cumulative gains or loss previously recorded in equity is recognized in the consolidated statement of income. The Group uses the specific identification method in determining the cost of securities sold. Interest earned or paid on the investments is reported as interest income or

expense using the EIR. Interest earned on holding AFS investments are reported as "Interest income" using the effective interest method. Dividends earned on holding AFS investments are recognized in the consolidated statement of income as "Other income" when the right of payment had been established. The losses arising from impairment of such investments are recognized as "Provision for credit and impairment losses" in the consolidated statement of income. Unquoted equity securities are carried at cost, net of impairment.

The Group's AFS investments as of December 31, 2015 and 2014 include investments in quoted and unquoted shares of stock (see Note 36).

Other financial liabilities
Financial liabilities are classified in this category if these are not held for trading or not designated as at FVPL upon the inception of liability. These include liabilities arising from operations or borrowings.

Other financial liabilities are initially recorded at fair value, less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized, as well as through the amortization process.

Included in other financial liabilities are the Group's debt and other borrowings (bank loans and long-term debts), obligations under finance lease, trade and other payables, customers' deposits, dividends payable, long-term obligation on PDS, payable to preferred shareholder of a subsidiary, and redeemable preferred shares (see Note 36).

Impairment of Financial Assets
The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if and only if, there is an objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables
For loans and receivables carried at amortized cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar

credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statement of income. Interest income continues to be accrued on the reduced carrying amount based on the original EIR of the financial asset. Loans and receivables together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent period, the amount of the impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or decreased by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Assets carried at cost
If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

AFS investments
In the case of equity investments classified as AFS, objective evidence of impairment would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of income) is removed from other comprehensive income and recognized in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income. Increases in fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as AFS, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on rate of interest used to discount future cash flows for measuring impairment loss. Such accrual is recorded as part of "Interest income" in the consolidated statement of income. If, in subsequent period, the fair value of a debt instrument increased and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

Derecognition of Financial Assets and Liabilities

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in consolidated statement of income.

Derivative Financial Instruments

Derivative financial instruments, including embedded derivatives, are initially recognized at fair value on the date in which a derivative transaction is entered into or bifurcated, and are subsequently re-measured at FVPL, unless designated as effective hedge. Changes in fair values of derivative instruments not accounted as hedges are recognized immediately in the consolidated statement of income. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The Group assesses whether embedded derivatives are required to be separated from host contracts when the Group first becomes party to the contract.

An embedded derivative is separated from the host financial or non-financial contract and accounted for as a derivative if all of the following conditions are met:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics of the host contract;

- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the hybrid or combined instrument is not recognized as at FVPL.

Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Embedded derivatives that are bifurcated from the host contracts are accounted for either as financial assets or financial liabilities at FVPL.

As of December 31, 2015 and 2014, the Group has freestanding derivatives in the form of deliverable and non-deliverable foreign currency forward contracts entered into to economically hedge its foreign currency risks (see Note 35). In 2013, the Group applied hedge accounting treatment on its derivative transactions.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is generally not the case with master netting agreements, and the related assets and liabilities are presented at gross in the consolidated balance sheet.

Classification of Financial Instruments Between Liability and Equity

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

A financial instrument is classified as liability if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

Redeemable Preferred Shares (RPS)
The component of the RPS that exhibits characteristics of a liability is recognized as a liability in the consolidated balance sheet, net of transaction costs. The corresponding dividends on those shares are charged as interest expense in the consolidated statement of income. On issuance of the RPS, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortized cost basis until extinguished on redemption.

Inventories
Inventories are valued at the lower of cost and net realizable value (NRV). Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Wheat grains and other raw materials	-	purchase cost on a first-in, first-out basis;
Finished goods and work in process	-	cost of direct materials, labor and a portion of manufacturing overhead based on normal operating capacity but excluding borrowing costs;
Fuel and lubricants	-	purchase cost on a first-in, first-out basis;
Materials, parts and supplies	-	purchase cost on a weighted average method

NRV of wheat grains and other raw materials, work in process and finished goods is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. NRV of fuel and lubricants and materials, parts and supplies is the current replacement costs.

Real estate inventories include land and condominium units, land and land improvements and residential lots for sale. Real estate inventories are carried at the lower of cost and NRV (i.e., estimated selling price less estimated costs to complete and sell). Cost includes costs incurred for the acquisition, development and improvement of the properties as well as the borrowing costs allowed to be capitalized.

Agricultural Activity
Agricultural produce
Agricultural produce (livestock and poultry) are measured at fair value less estimated costs to sell at point of harvest.

Biological assets
Biological assets are measured on initial recognition and at each balance sheet date at fair value less estimated costs to sell except when, on initial recognition, market-determined prices or values are not available and for which alternative estimates of fair value are determined to be clearly unreliable. In such cases, those biological assets are measured at accumulated costs less any accumulated depreciation and any accumulated impairment losses. Once the fair value of such biological assets becomes reliably measurable, those biological assets are measured at fair value less estimated costs to sell.

Gains or losses arising on initial recognition of a biological asset (for market hogs, piglets, growing stock, layer eggs and broilers) at fair value less estimated costs to sell and from changes in their fair values less estimated costs to sell are included in the consolidated statement of income for the period in which they arise.

Biological assets measured at fair value less estimated costs to sell continue to be measured as such until disposed. Expenditures on biological assets subsequent to initial recognition, excluding the costs of day-to-day servicing, are capitalized.

Bearer (i.e., breeders) biological assets are stated at cost less accumulated depreciation and any impairment losses. Bearer biological assets are depreciated on a straight-line basis over useful life which is estimated at three (3) years for livestock and eighteen (18) months for poultry.

Investments in Associates and Joint Ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associates and joint ventures are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The consolidated statement of income reflects the Group's share of the results of operations of the associate or joint venture. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the consolidated statement of income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the loss in the consolidated statement of income.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Interest in Joint Operations

A joint arrangement is classified as a joint operation if the parties with joint control have rights to the assets and obligations for the liabilities of the arrangement. For interest in joint operations, the Group recognizes:

- assets, including its share of any assets held jointly;
- liabilities, including its share of any liabilities incurred jointly;
- revenue from the sale of its share of the output arising from the joint operation;
- share of the revenue from the sale of the output by the joint operation; and
- expenses, including its share of any expenses incurred jointly.

The accounting and measurement for each of these items is in accordance with the applicable PFRS.

Business Combination and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the noncontrolling interest in the acquiree pertaining to instruments that represent present ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interest are measured at fair value unless another measurement basis is required by PFRS. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with PAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the Group's interest in the fair values of the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of goodwill
Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized.

Common control business combination
Business combination of entities under common control is accounted for similar to pooling of interest method, which is scoped out of PFRS 3, *Business Combinations*. Under the pooling of interest method, any excess of acquisition cost over the net asset value of the acquired entity is recorded in equity.

Land and Improvements

Land and improvements consist of properties for future development and are carried at the lower of cost and NRV. NRV is the estimated selling price in the ordinary course of business, less estimated cost of completion and estimated costs necessary to make the sale. Cost includes those costs incurred for development and improvement of the properties. Cost of land and improvements is transferred to real estate inventories upon commencement of the real estate project.

Property, Plant and Equipment

Except for land, property, plant and equipment are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment in value. The initial cost of property, plant and equipment comprises its purchase price, including import duties, if any, and nonrefundable taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Cost includes the cost of replacing part of such property, plant and equipment when that cost is incurred and the recognition criteria are met. Repairs and maintenance costs are recognized in the consolidated statement of income as incurred.

Land is stated at cost less any accumulated impairment in value.

Construction in progress represents structures under construction and is stated at cost. This includes cost of construction and other direct costs. Borrowing costs that are directly attributable to the construction of property, plant and equipment are capitalized during the construction period.

Depreciation and amortization of the Group's property, plant and equipment and assets under finance leases is calculated on a straight-line basis over the useful lives of the assets as follows:

	Number of Years	
Category	**2015**	2014
Buildings, warehouses and improvements	**10 - 40**	10 - 40
Power plant and equipment	**2 - 38**	2 - 38
Transmission, distribution and substation equipment		
Power transformers	**30**	30
Poles and wires	**20 - 40**	20 - 40
Other components	**12 - 30**	12 - 30
Machinery and equipment	**5 - 30**	5 - 30
Transportation equipment	**5 - 10**	5 - 10
Office furniture, fixtures and equipment	**1 - 20**	2 - 20
Leasehold improvements	**3 - 20**	3 - 10
Electrical equipment	**5 - 25**	5 - 20
Meters and laboratory equipment	**25**	12 - 25
Steam field assets	**20 - 25**	20 - 25
Tools and others	**2 - 20**	2 - 10

Leasehold improvements are amortized over the shorter of the lease terms and the lives of the improvements.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

Fully depreciated assets are retained in the accounts until these are no longer in use. When assets are retired or otherwise disposed of, both the cost and related accumulated depreciation and amortization and any allowance for impairment losses are removed from the accounts and any resulting gain or loss is credited or charged to current operations. An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income in the year the asset is derecognized.

The asset's residual values, useful lives and depreciation and amortization methods are reviewed and adjusted, if appropriate, at each financial year-end.

When each major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria satisfied.

Service Concession Arrangements

Public-to-private service concession arrangements where: (a) the grantor controls or regulates what services the entities in the Group must provide with the infrastructure, to whom it must provide them, and at what price; and (b) the grantor controls - through ownership, beneficial entitlement or otherwise - any significant residual interest in the infrastructure at the end of the term of the arrangement, are accounted for under the provisions of Philippine Interpretation IFRIC 12, *Service Concession Arrangements*. Infrastructures used in a public-to-private service concession arrangement for its entire useful life (whole-of-life assets) are within the scope of this Interpretation if the conditions in (a) are met.

This interpretation applies to both: (a) infrastructure that the entities in the Group constructs or acquires from a third party for the purpose of the service arrangement; and (b) existing infrastructure to which the grantor gives the entity in the Group access for the purpose of the service arrangement.

Infrastructures within the scope of this Interpretation are not recognized as property, plant and equipment of the Group. Under the terms of contractual arrangements within the scope of this Interpretation, an entity acts as a service provider. An entity constructs or upgrades infrastructure (construction or upgrade services) used to provide a public service and operates and maintains that infrastructure (operation services) for a specified period of time.

An entity recognizes and measures revenue in accordance with PAS 11, *Construction Contracts*, and PAS 18, *Revenue*, for the services it performs. If an entity performs more than one service (i.e., construction or upgrade services and operation services) under a single contract or arrangement, consideration received or receivable shall be allocated by reference to the relative fair values of the services delivered, when the amounts are separately identifiable.

When an entity provides construction or upgrades services, the consideration received or receivable by the entity is recognized at its fair value. An entity accounts for revenue and costs relating to construction or upgrade services in accordance with PAS 11. Revenue from construction contracts is recognized based on the percentage-of-completion method, measured by reference to the percentage of costs incurred to date to estimated total costs for each contract.

The applicable entities account for revenue and costs relating to operation services in accordance with PAS 18.

An entity recognizes a financial asset to the extent that it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction services. An entity recognizes an intangible asset to the extent that it receives a right (a license) to charge users of the public service.

When the applicable entities have contractual obligations it must fulfill as a condition of its license (a) to maintain the infrastructure to a specified level of serviceability or (b) to restore the infrastructure to a specified condition before it is handed over to the grantor at the end of the service arrangement, it recognizes and measures these contractual obligations in accordance with PAS 37, i.e., at the best estimate of the expenditure that would be required to settle the present obligation at the balance sheet date.

Borrowing cost attributable to the construction of the asset if the consideration received or receivable is an intangible asset, is capitalized during the construction phase. In all other cases, borrowing costs are expensed as incurred.

Intangible Asset

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of the acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the consolidated statement of income in the year in which the expenditure is incurred.

Service concession right

The Group's intangible asset - service concession right pertains mainly to its right to charge users of the public service in connection with the service concession and related arrangements. This is recognized initially at the fair value which consists of the cost of construction services and the fair value of future fixed fee payments in exchange for the license or right. Following initial recognition, the intangible asset is carried at cost less accumulated amortization and any accumulated impairment losses.

The intangible asset - service concession right is amortized using the straight-line method over the estimated useful economic life which is the service concession period, and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The estimated useful life is 25 years. The amortization period and the amortization method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense is recognized in the consolidated statement of income in the expense category consistent with the function of the intangible asset.

Intangible assets - customer contracts

The Group's intangible assets - customer contracts pertain to contracts entered by subsidiaries relating to the provision of utility services to locators within an industrial zone.

These are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

The intangible assets - customer contracts are amortized using the straight-line method over the remaining life of the contract, and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The remaining contract life ranges from 6 to 10 years. The amortization period and method are reviewed at least at each financial year end.

The amortization expense is recognized in the consolidated statement of income in the expense category consistent with the function of the intangible asset.

Franchise
The Group's franchise pertains to VECO's franchise to distribute electricity within an area granted by the Philippine Legislature, acquired in the business combination in 2013. The franchise is initially recognized at its fair value at the date of acquisition. Following initial recognition, the franchise is carried at cost less accumulated amortization and any accumulated impairment losses. The Group's franchise is amortized using the straight-line method over the estimated economic useful life, and assessed for impairment whenever there is an indication that the franchise may be impaired. The estimated economic useful life of the franchise is 40 years. The amortization period and amortization method for franchise are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the franchise are accounted for by changing the amortization period or method, as appropriate, and treated as a change in accounting estimates. The amortization expense on franchise is recognized in the consolidated statement of income in the expense category consistent with its function.

Software and licenses
Software and licenses are initially recognized at cost. Following initial recognition, the software development costs are carried at cost less accumulated amortization and any accumulated impairment in value.

The software development costs are amortized on a straight-line basis over its estimated useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization commences when the software development costs are available for use. The amortization period and the amortization method for the software development costs are reviewed at each financial year-end. Changes in the estimated useful life is accounted for by changing the amortization period or method, as appropriate, and treating them as changes in accounting estimates. The amortization expense is recognized in the consolidated statement of income in the expense category consistent with the function of the software development costs.

Project development costs
Project development costs include power plant projects in the development phase which meet the "identifiability" requirement under PAS 38, *Intangible Assets*, as they are separable and susceptible to individual sale and are carried at acquisition cost. These assets are transferred to

"Property, plant and equipment" when construction of each power plant commences. During the period of development, the asset is tested for impairment annually.

Investment Properties

Investment properties, which pertain to land and buildings, are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are carried at fair value, which reflects market conditions at the balance sheet date. Gains or losses arising from changes in fair values of investment properties are included in the consolidated statement of income in the year in which they arise.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of income in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development with a view to sale. For a transfer from investment property to owner-occupied property or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. For a transfer from inventories to investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognized in the consolidated statement of income. When the Group completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognized in the consolidated statement of income.

Asset Retirement Obligation

The asset retirement obligation arose from the Group's obligation, under its contracts, to decommission, abandon and perform surface rehabilitation at the end of the useful lives of the steam field assets or upon abandonment of the plant. A corresponding asset is recognized as part of property, plant and equipment. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the asset retirement obligation. The unwinding of the discount is expensed as incurred and recognized in the consolidated statement of income as an "Accretion of asset retirement obligation" under the "Interest expense" account. The estimated future costs of decommissioning are reviewed annually and adjusted prospectively.

Changes in the estimated future costs or in the discount rate applied are added or deducted from the cost of the steam field asset. The amount deducted from the cost of the steam field asset, shall not exceed its carrying amount.

If the decrease in the liability exceeds the carrying amount of the steam field asset, the excess shall be recognized immediately in the consolidated statement of income.

Noncurrent Assets Classified as Held for Sale and Discontinued Operations

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying mount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

In the consolidated statement of income of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of net income after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting net income is reported separately in the consolidated statement of income.

If there are changes to a plan of sale, and the criteria for the asset or disposal group to be classified as held for sale are no longer met, the Group ceases to classify the asset or disposal group as held for sale and it shall be measured at the lower of:

- its carrying amount before the asset was classified as held for sale adjusted for any depreciation, amortization or revaluations that would have been recognized had the asset not been classified as held for sale, and
- its recoverable amount at the date of the subsequent decision not to sell.

The Group includes any required adjustment to the carrying amount of a noncurrent asset or disposal group that ceases to be classified as held for sale in the consolidated statement of income from continuing operations in the period in which the criteria for the asset or disposal group to be classified as held for sale are no longer met. The Group presents that adjustment in the same caption in the consolidated statement of income used to present a gain or loss recognized, if any.

If the Group ceases to classify a component of an entity as held for sale, the results of operations of the component previously presented in discontinued operations shall be reclassified and included in income from continuing operations for all periods presented. The amounts for prior periods shall be described as having been re-presented.

Research and Development Expenditure

The Group's policy is to record research expenses in the consolidated statement of income in the period when they are incurred.

Development costs are recognized as an intangible asset on the consolidated balance sheet if the Group can identify them separately and show the technical viability of the asset, its intention and capacity to use or sell it, and how it will generate probable future economic benefits.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

Impairment of Nonfinancial Assets

Other current assets, property, plant and equipment, intangible assets, investments in associates and other noncurrent assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable or may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each balance sheet date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of accumulated depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Capital Stock and Additional Paid-in Capital

Capital stock is measured at par value for all shares issued. When the Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued. Capital stock includes common stock and preferred stock.

When the shares are sold at premium, the difference between the proceeds and the par value is credited to the "Additional paid-in capital" account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Company, the shares shall be measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Direct costs incurred related to equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are debited to the "Additional paid-in capital" account, net of tax. If additional paid-in capital is not sufficient, the excess is charged against equity.

Retained Earnings

Retained earnings include accumulated earnings of the Company and reduced by dividends on capital stock. Dividends on capital stock are recognized as a liability and deducted from equity when they are approved by the BOD. Dividends for the year that are approved after the financial reporting date are dealt with as an event after the financial reporting date. Retained earnings may also include effect of changes in accounting policy as may be required by the transition provisions of new and amended standards.

Treasury Shares

The Group's own equity instruments which are reacquired (treasury shares) are deducted from equity. No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Foreign Currency Transactions

The consolidated financial statements are presented in Philippine peso, which is the Group's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the consolidated statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of LHC, a subsidiary, and STEAG State Power, Inc. (STEAG), Western Mindanao Power Corporation (WMPC) and Southern Philippines Power Corporation (SPPC), associates, is the United States (US) dollar; and for Pilmico VHF, a subsidiary, is the Vietnamese Dong. As at the balance date, the assets and liabilities of these entities are translated into the presentation currency of the Group (the Philippine peso) at the rate of exchange ruling at the balance sheet date and their statements of income are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of the subsidiary and associate, the deferred cumulative amount recognized in other comprehensive income relating to that particular entity is recognized in the consolidated statement of income.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the amount of revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The

Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent.

The following specific recognition criteria must also be met before revenue is recognized:

Sales
Revenue from sale of power and electricity is recognized in the period in which actual capacity is generated and earned and upon distribution of power to customers.

Revenue from sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer.

Real estate sales are accounted for under the percentage-of-completion method when: (a) equitable interest and/or legal title to the subject properties is transferred to the buyer; (b) the seller is obliged to perform significant acts after the subject properties are sold; (c) the amount of revenue can be measured reliably; (d) the costs incurred or to be incurred can be measured reliably; and (e) it is probable that the economic benefits will flow to the entity. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work. If any of the criteria under the percentage-of-completion method is not met, the deposit method is applied until all the conditions for recording a sale are met. Under the deposit method, no revenue and receivable are recognized, and the Group continues to reflect the property in the consolidated balance sheet. Pending recognition of sale, cash received from buyers are presented under the “Deposits and other liabilities” account in the liabilities section of the consolidated balance sheet.

Rendering of services
Service revenues are recognized when the related services are rendered. Customer payments for which services have not yet been rendered are classified as unearned revenue under “Trade and other payables” account in the consolidated balance sheet.

Once the recorded value of a financial asset or bank of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized based on the original EIR used to discount the future recoverable cash flows.

Rental income
Rental income arising from operating leases is accounted for on a straight-line basis over the related lease terms.

Dividend income
Dividend income is recognized when the Group’s right to receive payment is established.

Interest income
Interest income is recognized as it accrues taking into account the effective yield on the asset.

Costs and Expenses

Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are recognized when incurred.

Pension Benefits

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the consolidated statement of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the consolidated statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to consolidated statement of income in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization on that asset shall be determined as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. To the extent that funds are borrowed generally, the amount of borrowing costs eligible for capitalization shall be determined by applying a capitalization rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalized during a period shall not exceed the amount of borrowing costs incurred during that period.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating lease. Operating lease payments are recognized as an expense in the consolidated statement of income on a straight-line basis over the lease term.

Group as a lessor

Leases where the Group retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income.

Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date.

Current income tax relating to items recognized directly in equity is recognized in the consolidated statement of comprehensive income and not in the consolidated statement of income.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax
Deferred income tax is provided using the balance sheet liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences and carryforward benefits of net operating loss carryover (NOLCO) and excess of minimum corporate income tax (MCIT) over regular corporate income tax (RCIT), to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and the carryforward benefits of NOLCO and excess of MCIT over RCIT can be utilized, except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Input Value-Added Tax (VAT)
Input VAT represents VAT imposed on the Group by its suppliers for the acquisition of goods and services as required by Philippine taxation laws and regulations.

Input VAT, which is presented as part of "Other current assets" and/or "Other noncurrent assets" in the consolidated balance sheets, is recognized as an asset and will be used to offset the Group's current output VAT liabilities and or applied for claim for tax credit certificates. Input VAT is stated at its estimated NRV.

Output VAT
Output VAT represents VAT due on the sale, lease or exchange of taxable goods or properties or service by any person registered or required to register under Philippine taxation laws and regulations.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated balance sheet.

Provisions
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of income, net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed unless the probability of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed when an inflow of economic benefits is probable.

Events After the Reporting Period
Post year-end events that provide additional information about the Group's position at balance sheet date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed when material.

Earnings Per Common Share
Basic earnings per common share are computed by dividing net income for the year attributable to the common shareholders of the parent by the weighted average number of common shares issued and outstanding during the year, after retroactive adjustments for any stock dividends declared and stock rights exercised during the year.

Diluted earnings per share amounts are calculated by dividing the net income for the year attributable to the common shareholders of the parent by the weighted average number of common shares outstanding during the year plus the weighted average number of common shares that would be issued for outstanding common stock equivalents. The Group does not have dilutive common stock equivalents.

Dividends on Common Shares
Dividends on common shares are recognized as a liability and deducted from retained earnings when approved by the respective shareholders of the Group and its subsidiaries. Dividends for the year that are approved after the balance sheet date are dealt with as an event after the reporting period.

Operating Segments
For management purposes, effective September 2015, the Group is organized into five major operating segments (power, food manufacturing, financial services, real estate, infrastructure and parent company/others) according to the nature of the products and the services provided. The Group's identified operating segments are consistent with the segments reported to the BOD which is the Group's Chief Operating Decision Maker (CODM). Financial information on operating segments is presented in Note 33.

3. Summary of Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

Judgments
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Determining functional currency
Based on the economic substance of the underlying circumstances relevant to the companies in the Group, the functional currency of the companies in the Group has been determined to be the Philippine peso, except for certain subsidiaries and associates whose functional currency is the US dollar (US$) or Vietnamese Dong. The Philippine peso is the currency of the primary economic environment in which the companies in the Group operate and it is the currency that mainly influences the sale of power, goods and services and the costs of power, manufacturing and selling the goods, and the rendering of services. The functional currency of the Group's

subsidiaries and associates is the Philippine peso except for LHC, STEAG, SPPC and WMPC whose functional currency is the US$ and Pilmico VHF whose functional currency is the Vietnamese Dong.

Determination of control or joint control over an investee company
Control is presumed to exist when an investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. On the other hand, joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Management has determined that by virtue of its majority ownership of voting rights in its subsidiaries as of December 31, 2015 and 2014, the Company had the ability to exercise control over these investees (see Note 2).

Nonconsolidation of certain investees
The Group has 83.33% interest in Manila-Oslo Renewable Enterprise, Inc. (MORE) which has a 60% ownership interest in SN Aboitiz Power-Magat, Inc., SN Aboitiz Power-Benguet, Inc., SN Aboitiz Power-RES, Inc., and SN Aboitiz Power-Generation, Inc.

The Group has 60% interest in Maaraw Holdings San Carlos, Inc. (MHSCI) which has a 25% ownership interest in San Carlos Sun Power, Inc. (SACASUN).

The Group does not consolidate MORE and MHSCI since it does not have the ability to direct the relevant activities which most significantly affect the returns of MORE, MHSCI and their respective investees. This is a result of the shareholders' agreements which, among others, stipulate the management and operation of MORE and MHSCI. Management of MORE and MHSCI is vested in their respective BODs and the affirmative vote of the other shareholder is required for the approval of certain corporate actions which include financial and operating undertakings.

The Group has 60% interest in AEV CRH Holdings, Inc. (AEV CRH) which has 99.09% ownership interest in Republic Cement and Building Materials, Inc. (RCBMI; formerly Lafarge Republic, Inc.), 99.63% ownership interest in Republic Cement Mindanao, Inc. (RCMI; formerly Lafarge Mindanao, Inc.), 94.63% ownership interest in Republic Cement Iligan, Inc. (RCII; formerly Lafarge Iligan, Inc.) and 100% ownership interest in Luzon Continental Land Corporation (LCLC)..

The Group does not consolidate AEV CRH since it does not have the ability to direct the relevant activities which most significantly affect the returns of AEV CRH and its investees. This is a result of the contractual arrangements that give the other party the power to direct the relevant non-nationalized activities of the subsidiaries of AEV CRH. Consequently, the Group recognizes AEV CRH as an associate that is accounted for using the equity method in the consolidated financial statements.

Determining a joint operation
The Group has 50% interest in PEC. The Group assessed that the joint arrangement is a joint operation as the financial and operating activities of the operation are jointly controlled by the participating shareholders and are primarily designed for the provision of output to the shareholders.

Service concession arrangements - Companies in the Group as Operators
Based on management's judgment, the provisions of Philippine Interpretation IFRIC 12 apply to SEZ's Distribution Management Service Agreement (DMSA) with Subic Bay Metropolitan Authority (SBMA); MEZ's Built-Operate-Transfer (BOT) agreement with Mactan Cebu International Airport Authority (MCIAA) and LHC's Power Purchase Agreement (PPA) with the National Power Corporation (NPC). The service concession agreements of subsidiaries SEZ, MEZ and LHC were accounted for under the intangible asset model. STEAG, an associate, has also determined that the provisions of Philippine Interpretation IFRIC 12 apply to its PPA with NPC. STEAG's service concession agreement was accounted for under the financial asset model. Refer to the accounting policy on service concession arrangements for the discussion of intangible asset and financial asset models.

Finance lease - Group as the lessee
In accounting for its Independent Power Producer Administration Agreement (IPP Administration Agreement) with the Power Sector Assets and Liabilities Management Corporation (PSALM), the Group has made a judgment that the IPP Administration Agreement of TLI is an arrangement that contains a lease. The Group has made a judgment that it has substantially acquired all the risks and rewards incidental to ownership of the power plant principally by virtue of its right to control the capacity of the power plant and its right to receive the transfer of the power plant at the end of the IPP Administration Agreement for no consideration. Accordingly, the Group accounted for the agreement as a finance lease and recognized the power plant and finance lease obligation at the present value of the agreed monthly payments to PSALM (see Notes 22 and 35).

The power plant is depreciated over its estimated useful life as there is reasonable certainty that the Group will obtain ownership by the end of the lease term. As of December 31, 2015 and 2014, the carrying value of the power plant amounted to ₱38.0 billion and ₱39.0 billion, respectively. The carrying value of the finance lease obligation amounted to ₱53.7 billion and ₱54.5 billion as of December 31, 2015 and 2014, respectively (see Notes 13 and 22).

Determining revenue and cost recognition on real estate
When the contract is judged to be for the construction of a property, revenue is recognized using the percentage-of-completion method as construction progresses. The percentage-of-completion is made by reference to the stage of completion of projects and contracts determined based on the proportion of contract costs incurred to date and the estimated costs to complete.

Distinction between investment properties, land and improvements and real estate inventories
The Group determines whether a property is classified as an investment properties, land and improvements or real estate inventories:

- Investment properties comprise land, land improvements, buildings and (principally offices, commercial warehouses and retail properties) and pier facilities which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and for capital appreciation.
- Land and improvements comprise land and related improvements that are part of the Group's strategic landbanking activities for development or sale in the medium or long-term.

- Real estate inventories comprise properties that are held for sale in the ordinary course of business. Principally, these are residential properties that the Group develops and intends to sell before or on completion of construction.

The Group considers each property separately in making its judgment.

Operating lease commitments - Group as the lessor
The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

Determining fair value of biological assets
In applying PAS 41, *Agriculture*, the Group has made a judgment that market-determined prices or values of bearers and growing stocks are not available and for which alternative estimates of their fair values are clearly unreliable and, accordingly, measured such biological assets at accumulated cost less accumulated depreciation and any accumulated impairment losses. These biological assets amounted to ₱676.9 million as of December 31, 2015 and ₱575.9 million as of December 31, 2014 (see Note 8).

Determining fair value of customers' deposits
In applying PAS 39, on transformer and lines and poles deposits, the Group has made a judgment that the timing and related amounts of future cash flows relating to such deposits cannot be reasonably and reliably estimated for purposes of an alternative valuation technique in establishing their fair values, since the expected timing of customers' refund or claim for these deposits cannot be reasonably estimated. These customers' deposits amounted to ₱6.6 billion and ₱5.9 billion as of December 31, 2015 and 2014, respectively (see Notes 20 and 36).

Classification of financial instruments
The Group exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as either a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definition of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated balance sheet.

<u>Estimation Uncertainty</u>
The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed as follows:

Acquisition accounting
The Group accounts for acquired businesses using the purchase method of accounting which requires that the assets acquired and the liabilities assumed be recorded at the date of acquisition at their respective fair values.

The application of the purchase method requires certain estimates and assumptions especially concerning the determination of the fair values of acquired intangible assets and property, plant

and equipment as well as liabilities assumed at the date of the acquisition. Moreover, the useful lives of the acquired intangible assets, property, plant and equipment have to be determined. The judgments made in the context of the purchase price allocation can materially impact the Group's future results of operations. Accordingly, for significant acquisitions, the Group obtains assistance from third party valuation specialists. The valuations are based on information available at the acquisition date (see Note 9).

Estimating allowance for impairment losses on trade receivables and others
The Group maintains allowance for impairment of trade and other receivables at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management on the basis of the factors that affect the collectibility of the accounts. These factors include, but are not limited to, the Group's relationship with its clients, client's current credit status and other known market factors. The Group reviews the age and status of receivables and identifies accounts that are to be provided with allowance either individually or collectively. The amount and timing of recorded expenses for any period would differ if the Group made different judgment or utilized different estimates. An increase in the Group's allowance for impairment of trade and other receivables will increase the Group's recorded expenses and decrease current assets.

Allowance for impairment losses as of December 31, 2015 and 2014 amounted to ₱2.0 billion and ₱1.7 billion, respectively. Trade and other receivables, net of valuation allowance, amounted to ₱19.1 billion and ₱16.9 billion as of December 31, 2015 and 2014, respectively (see Note 5).

Estimating allowance for inventory obsolescence
The Group estimates the allowance for inventory obsolescence based on the age of inventories. The amounts and timing of recorded expenses for any period would differ if different judgments or different estimates are made. An increase in allowance for inventory obsolescence would increase recorded expenses and decrease current assets. As of December 31, 2015 and 2014, allowance for inventory obsolescence amounted ₱112.2 and ₱81.1 million, respectively. The carrying amount of the inventories, net of valuation allowance, amounted to ₱7.9 billion and ₱7.7 billion as of December 31, 2015 and 2014, respectively (see Note 6).

Estimating allowance for impairment losses on investments and advances
Investments and advances are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The cash flows are derived from the projection for the next five years as well as the terminal value at the end of five years. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected cash inflows and the growth rates. The carrying amounts of the investments in and advances to associates amounted to ₱73.4 billion and ₱52.3 billion as of December 31, 2015 and 2014, respectively. The allowance for impairment losses amounted to ₱680.7 million as of December 31, 2015 and 2014 (see Note 10).

Estimating asset retirement obligation
Under the Geothermal Resource Service Contract (GRSC), which took effect in 2013, the Group has a legal obligation to decommission, abandon and perform surface rehabilitation on its steam field asset at the end of its useful life. The Group recognizes the present value of the obligation to decommission, abandon and perform surface rehabilitation of the steam field asset and capitalizes the present value of this cost as part of the balance of the related steam field asset,

which are being depreciated and amortized on a straight-line basis over the useful life of the related asset.

Cost estimates expressed at current price levels at the date of the estimate are discounted using rates of interest of 3.2% and 4.4% in 2015 and 2014, respectively, to take into account the timing of payments. Each year, the provision is increased to reflect the accretion of discount and to accrue an estimate for the effects of inflation, with charges being recognized as accretion expense, included under "Interest expense" in the consolidated statement of income.

Changes in the asset retirement obligation that result from a change in the current best estimate of cash flow required to settle the obligation or a change in the discount rate are added to (or deducted from) the amount recognized as the related asset and the periodic unwinding of the discount on the liability is recognized in the consolidated statement of income as it occurs.

While the Group has made its best estimate in establishing the decommissioning provision, because of potential changes in technology as well as safety and environmental requirements, plus the actual time scale to complete decommissioning activities, the ultimate provision requirements could either increase or decrease significantly from the Group's current estimates. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

Asset retirement obligation amounted to ₱3.0 billion and ₱2.4 billion as of December 31, 2015 and 2014, respectively (see Note 21). On December 31, 2014, the Group revised its discount rate to align with the prevailing market rates. In addition, the Group moved the forecast of the plug and abandonment of its steam wells to begin in 2015. This change in estimate did not result to any charge to income for the year ended December 31, 2014 and the asset and liability as of that date increased by ₱220 million. Future yearly depreciation will increase by ₱4.5 million and future accretion of interest will increase by 9.9%

Recognition of deferred income tax assets
The Group reviews the carrying amounts of deferred income tax assets at each reporting date and reduces deferred income tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax assets to be utilized. The Group has net deferred income tax assets amounting ₱699.5 million and ₱350.0 million as of December 31, 2015 and 2014, respectively (see Note 31).

The Company did not recognize its deferred income tax assets from NOLCO amounting to ₱1.3 billion and ₱687.0 million as of December 31, 2015 and 2014, respectively, and from MCIT amounting to ₱13.9 million as of December 31, 2015. Likewise, AP parent company did not recognize its deferred income tax assets from NOLCO amounting to ₱436.9 million and ₱895.3 million as of December 31, 2015 and 2014, respectively, and from MCIT amounting to ₱26.3 million and ₱23.6 million as of December 31, 2015 and 2014, respectively, and (see Note 31).

Pension benefits
The costs of defined benefit pension plans, as well as the present value of the pension obligation, are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the

underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Net benefit expense amounted to ₱356.7 million in 2015, ₱284.0 million in 2014 and ₱181.4 million in 2013. The net benefit asset as at December 31, 2015 and 2014 amounted to ₱106.6 million and ₱133.9 million, respectively (see Note 30). Net pension liabilities as of December 31, 2015 and 2014 amounted to ₱755.4 million and ₱550.1 million, respectively.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

Further details about the assumptions used are provided in Note 30.

Estimating useful lives of property, plant and equipment
The Group estimates the useful lives of property, plant and equipment based on the period over which assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, the estimation of the useful lives of property, plant and equipment is based on collective assessment of internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in the factors and circumstances mentioned above. As of December 31, 2015 and 2014, the net book values of property, plant and equipment, excluding land, amounted to ₱142.2 billion and ₱124.5 billion, respectively (see Note 13).

The estimated useful life (EUL) of the distribution utilities property, plant and equipment were reviewed by an independent firm of appraisers resulting to adjustments in the EUL. The changes in the EUL of the assets were applied prospectively since the impact to the financial statements is not significant. These changes resulted to a decrease in depreciation expense in 2015 until 2024 amounting to ₱435.4 million annually. Thereafter the amount will change since some of the assets will already be fully depreciated.

Estimating residual value of property, plant and equipment
The residual value of the Group's property, plant and equipment is estimated based on the amount that the entity would obtain from disposal of the asset, after deducting estimated costs of disposal, if the asset is already of the age and in the condition expected at the end of its useful life. The estimated residual value of each asset is reviewed periodically and updated if expectations differ from previous estimates. As of December 31, 2015 and 2014, the net book values of property, plant and equipment, excluding land, amounted to ₱142.2 billion and ₱124.5 billion, respectively (see Note 13).

Estimating useful lives of intangible asset - service concession rights
The Group estimates the useful lives of intangible asset arising from service concessions based on the period over which the asset is expected to be available for use which is 25 years. The Group has not included any renewal period on the basis of uncertainty, as of balance sheet date, of the probability of securing renewal contract at the end of the original contract term. As of December 31, 2015 and 2014, the net book values of intangible asset - service concession rights amounted to ₱3.2 billion and ₱3.4 billion, respectively (see Note 15).

Estimating useful lives of intangible asset - customer contracts
The Group estimates the useful lives of intangible asset arising from customer contracts based on the period over which the asset is expected to be available for use which is six years. The Group has not included any renewal period on the basis of uncertainty, as of reporting date, of the probability of securing renewal contract at the end of the original contract term. As at December 31, 2015 and 2014, the net book values of intangible assets - customer contracts amounted to ₱79.4 million and ₱94.8 million, respectively (see Note 16).

Estimating useful life of franchise
The Group estimates the useful life of VECO's distribution franchise based on the period over which the asset is estimated to be available for use which is 40 years, consisting of 15 years remaining contract period from date of business combination and expected probable renewal covering another 25 years. As of December 31, 2015 and 2014, the carrying value of franchise amounted to ₱2.9 billion and ₱3.0 billion, respectively (see Note 16).

Assessing impairment of AFS investments
The Group treats AFS equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. The Group treats "significant" generally as 20% or more and "prolonged" as greater than six months for quoted equity securities. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities. Fair value of AFS investments amounted to ₱367.7 million and ₱64.2 million as of December 31, 2015 and 2014, respectively. Net unrealized mark-to-market gain on AFS investments amounted to ₱14.2 million and ₱14.6 million as of December 31, 2015 and 2014, respectively. No impairment loss was recognized in 2015, 2014 and 2013.

Assessing impairment of goodwill
The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as of December 31, 2015 and 2014 amounted to ₱2.1 billion and ₱1.6 billion, respectively (see Note 12). Goodwill impairment recognized in 2013 amounted to ₱368.9 million. No impairment of goodwill was recognized in 2015 and 2014.

Fair value of consumable biological assets
The Group determines the most reliable estimate of fair value of its consumable biological assets. Fair value reflects the most recent market transaction price provided that there has been no

significant change in economic circumstances between the date of transaction and balance sheet date. Point-of-sale cost is estimated based on recent transactions and is deducted from the fair value in order to measure the biological assets at balance sheet date.

As of December 31, 2015 and 2014, the carrying value of the consumable biological assets amounted to ₱578.3 million and ₱502.5 million, respectively (see Note 8).

Impairment of nonfinancial assets
The Group assesses whether there are any indicators of impairment for nonfinancial assets at each reporting date. These nonfinancial assets (other current assets, property, plant and equipment, intangible asset - service concession rights and other noncurrent assets) are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

Determining the recoverable amount of these assets, which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Group to make estimates and assumptions that can materially affect its consolidated financial statements. Future events could cause the Group to conclude that the other current assets, property, plant and equipment, intangible asset - service concession rights and other noncurrent assets are impaired. Any resulting impairment loss could have a material adverse impact on the consolidated balance sheet and consolidated statement of income. The aggregate net book values of these assets as of December 31 are as follows:

	2015	2014
Property, plant and equipment (see Note 13)	**₱143,997,702**	₱126,203,724
Other current assets (see Note 7)	**5,913,755**	3,538,847
Intangible asset – service concession rights (see Note 15)	**3,226,536**	3,400,354
Other noncurrent assets (see Note 16)	**10,331,721**	11,309,807
	₱163,469,714	₱144,452,732

No impairment loss was recognized in 2015, 2014 and 2013.

Fair value of financial instruments
When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 36 for further disclosures.

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently re-measured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows.

Revaluation of investment properties
The Group carries its investment properties at fair value, with changes in fair value being recognized in the consolidated statement of income. The Group engaged an independent valuation specialist to assess the fair values of these properties. For these assets, the valuation methodology used was Sales Comparison Approach. This method considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison (see Note 14).

Legal contingencies
The estimate of probable costs for the resolution of possible claims has been developed in consultation with outside counsels handling the Group's defense in these matters and is based upon an analysis of potential results. No provision for probable losses arising from legal contingencies was recognized in the Group's consolidated financial statements for the years ended December 31, 2015, 2014 and 2013.

4. Cash and Cash Equivalents

	2015	2014
Cash on hand and in banks	**₱8,281,357**	₱6,447,872
Short-term deposits	**55,300,527**	44,033,694
	₱63,581,884	₱50,481,566

Cash in banks earn interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. Interest income earned from cash and cash equivalents amounted to ₱1.1 billion in 2015, ₱579.7 million in 2014, and ₱470.6 million in 2013 (see Note 35).

5. Trade and Other Receivables

	2015	2014
Trade receivables (see Note 35)		
Power (see Note 19)	**₱11,810,396**	₱11,089,258
Real estate	**2,286,152**	1,899,425
Food manufacturing	**1,669,387**	2,039,945
Holding and others	**758,529**	264,270
Transport services	**2,289**	45,196
	16,526,753	15,338,094
Advances to contractors	**1,084,377**	42,967
Dividends receivable (see Note 10)	**1,320,000**	1,648,000
Accrued revenues	**512,530**	482,709
Non-trade receivables	**281,451**	333,093
Others	**1,370,165**	745,338
	21,095,276	18,590,201
Less allowance for impairment losses	**2,041,945**	1,658,012
	19,053,331	16,932,189
Less non-current portion	**224,395**	292,414
	₱18,828,936	₱16,639,775

Trade receivables, except real estate receivables, are non-interest bearing and are generally on 10 - 30 days' terms.

For terms and conditions relating to related party receivables, refer to Note 34. Contractual maturities of trade receivables from sale of real estate inventories range from 1 to 180 months. Current and non-current portion of these receivables amount to ₱18.8 billion and ₱224.4 million, respectively, as of December 31, 2015, and ₱16.6 billion and ₱292.4 million, respectively, as of December 31, 2014.

Advances to contractors refer to non-interest bearing advance payments made for project mobilization which are offset against progress billings to be made by the contractors.

Other receivables include accrued interest income.

The rollforward analysis of allowance for impairment losses is presented below:

December 31, 2015

	Trade Receivables				
	Power	**Food Manufacturing**	**Real Estate**	**Holding and Others**	**Total**
At beginning of year	**₱1,559,014**	**₱97,222**	**₱1,776**	**₱–**	**₱1,658,012**
Provisions (see Note 27)	**418,029**	**40,796**	**230**	**67,000**	**526,055**
Write-off	**(135,418)**	**–**	**–**	**–**	**(135,418)**
Reversals	**–**	**(11,194)**	**–**	**–**	**(11,194)**
Consolidation (see Note 9)	**–**	**–**	**–**	**4,490**	**4,490**
At end of year	**₱1,841,625**	**₱126,824**	**₱2,006**	**₱71,490**	**₱2,041,945**

December 31, 2014

	Trade Receivables				
	Power	Food Manufacturing	Real Estate	Holding and Others	Total
At beginning of year	₱1,093,015	₱65,373	₱2,390	₱–	₱1,160,778
Provisions (see Note 27)	563,278	31,849	–	–	595,127
Write-off	(97,279)	–	–	–	(97,279)
Reversals	–	–	(230)	–	(230)
Deconsolidation (see Note 9)	–	–	(384)	–	(384)
At end of year	₱1,559,014	₱97,222	₱1,776	₱–	₱1,658,012

Allowance for impairment losses as of December 31, 2015 and 2014 pertains to receivables that are either individually or collectively determined to be impaired at reporting date.

These individually determined accounts relate to debtors that are in significant financial difficulties and have defaulted on payments and accounts under dispute and legal proceedings. These receivables are not secured by any collateral or credit enhancements.

For collective assessment, allowances are assessed for receivables that are not individually significant and for individually significant receivables where there is no objective evidence yet of individual impairment. Impairment losses are estimated by taking into consideration the age of the receivables, past collection experience and other factors that may affect collectability.

Reversals of allowance for impairment losses are presented as part of "Others - net" under "Other income - net" account in the consolidated statements of income.

6. Inventories

	2015	2014
At cost:		
Wheat grains and other raw materials	**₱2,948,398**	₱1,877,188
Real estate inventories	**1,992,706**	2,796,543
Materials, parts and supplies	**1,162,980**	1,078,023
Fuel and lubricants	**1,045,021**	1,241,252
Finished goods (see Note 27)	**386,906**	241,065
At NRV:		
Materials, parts and supplies	**409,293**	430,428
	₱7,945,304	₱7,664,499

A summary of the movement in real estate inventories is set out below:

	2015	2014
Real estate inventories:		
At January 1	**₱2,796,543**	₱2,819,455
Construction/development costs incurred	**615,023**	580,173
Land acquired during the period	**30,892**	318,794
Borrowing costs capitalized	**83,805**	89,447
Disposals (recognized as cost of real estate inventories sold)	**(1,243,650)**	(1,311,958)
Land costs transferred from (to) land and improvements	**(300,696)**	193,624
Transfers from property and equipment	**10,789**	107,008
At December 31	**₱1,992,706**	₱2,796,543

The cost of inventories recognized as part of cost of generated power in the consolidated statements of income amounted to ₱13.6 billion in 2015, ₱15.1 billion in 2014 and ₱12.7 billion in 2013 (see Notes 26 and 27). The cost of inventories recognized as part of operations and maintenance in the consolidated statements of income amounted to ₱910.5 million in 2015, ₱840.8 million in 2014 and ₱190.3 million in 2013 (see Note 27).

Cost of real estate inventories sold amounted to ₱1.2 billion, ₱1.3 billion and ₱661.0 million in 2015, 2014 and 2013, respectively.

Allowance for inventory obsolescence amounted to ₱112.2 million and ₱81.1 million as of December 31, 2015 and 2014, respectively. The amount of provision for inventory obsolescence and losses recognized as expense amounted to ₱31.1 million in 2015 and nil in 2014 and 2013 (see Note 27).

Cost of inventories carried at NRV amounted to ₱409.3 million and ₱430.4 million as of December 31, 2015 and 2014, respectively.

Total borrowing costs capitalized as part of the real estate projects amounted to ₱83.8 million and ₱89.4 million in 2015 and 2014, respectively (see Note 19). The general capitalization rate ranges from 2.0% to 5.0% in 2015 and from 2.0% to 6.4% in 2014.

7. Other Current Assets

	2015	2014
Prepaid expenses	**₱2,139,335**	₱1,626,773
Input VAT	**2,427,198**	967,295
Biological assets (see Note 8)	**578,257**	502,525
Others	**1,347,222**	944,779
	₱6,492,012	₱4,041,372

Prepaid expenses consist of unapplied insurance, rent and tax costs for which payments have been made.

"Others" include prepayments to regulatory agencies.

8. Biological Assets

	2015	2014
Presented under Other Current Assets:		
Consumables (see Note 7):		
Market hogs at fair value less estimated costs to sell	**₱377,226**	₱351,566
Piglets at fair value less costs to sell	**129,689**	109,325
Growing stocks at cost	**66,525**	41,634
Poultry - layer eggs	**3,797**	–
Poultry - broiler	**1,020**	–
	578,257	502,525
Presented under Other Noncurrent Assets:		
Bearers - net of accumulated depreciation of ₱53.7 million in 2015 and ₱49.4 million in 2014 (see Notes 16 and 27)	**98,662**	73,326
	₱676,919	₱575,851

Bearers are measured at accumulated cost, less accumulated depreciation and any accumulated impairment losses. The Group uses this method of measurement because market-determined prices and values are not available and alternative estimates of fair values are determined to be unreliable. Depreciation expense recognized by the Group on bearer biological assets (included in "Purchases and changes in biological assets" account under Cost of Goods Sold) amounted to ₱43.2 million, ₱41.0 million and ₱35.0 million in 2015, 2014 and 2013, respectively (see Note 27). The gross carrying amount of bearers amounted to ₱152.4 million and ₱122.7 million as of December 31, 2015 and 2014, respectively.

As of December 31, 2015 and 2014, consumable biological assets are measured at fair value under Level 2 input. Fair values are determined based on average market selling prices at balance sheet date. Prices used reflect the most recent active market transaction price provided that there has been no significant change in economic circumstances between the date of transaction and balance sheet date. Market hogs, piglets, growing stocks, layer eggs and broilers are measured at fair value less estimated costs to sell.

As of December 31, 2015 and 2014, the fair value of consumable biological assets measured using quoted prices in active markets (Level 2) amounted to ₱578.3 million and ₱502.5 million, respectively (see Note 7).

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

The reconciliation of changes in the carrying amount follows:

	2015	2014
At beginning of year	**₱502,525**	₱413,232
Additions	**1,537,204**	1,422,987
Sales at fair value	**(1,786,095)**	(1,878,236)
Transferred to breeding herd	**(101,097)**	(64,914)
Increase in fair value (see Note 29)	**425,720**	609,456
At end of year	**₱578,257**	₱502,525

Consumable biological assets are included under "Other current assets" account while bearers are included under "Other noncurrent assets" account in the consolidated balance sheets (see Notes 7 and 16).

9. Acquisitions and Disposals of Shares of Stock

a. Acquisition of PETNET, Inc. (PETNET)

On June 1, 2015, the Company acquired 51% stake in PETNET from Amon Trading Corporation, Strongview Inc. and various individual shareholders for a total consideration of ₱1.0 billion. Out of the 2,461,338 shares acquired by the Company, 1,235,186 shares (equivalent to 25.6%) were acquired from existing PETNET shareholders while the remaining 1,226,152 shares (equivalent to 25.4%) were subscribed from the unissued capital stock of PETNET.

PETNET is a Philippine money remittance business with a national footprint of around 2,500 locations through a mix of own units and business partner agreements, the largest Western Union agent network of the Philippines. PETNET has a large growth and development potential with the continued increase in remittances from Overseas Filipino Workers. Management believes that this acquisition offers a large opportunity for the Company to distribute complementary products through an extensive network of outlets.

The purchase of PETNET was treated as a business combination accounted for under the acquisition method.

The fair values of the identifiable assets and liabilities of PETNET as at the date of acquisition were:

	Fair value recognized on acquisition
Assets:	
Cash and cash equivalents	₱980,038
Trade and other receivables - net	392,146
Other current assets	65,558
AFS investments	239,796
Property and equipment - net	46,278
Deferred tax asset	20,365
Other noncurrent assets - net	10,329
	1,754,510
Liabilities:	
Trade and other payables	311,963
Loans payable	488,360
Pension liability	13,367
	813,690
Total identifiable assets at fair value	₱940,820
Total consideration satisfied by cash	₱1,003,684
AEV's share of net assets of PETNET	(479,818)
Goodwill arising from acquisition	₱523,866

This acquisition of PETNET generated a goodwill amounting to ₱523.9 million. The goodwill comprises the fair value of expected synergies arising from the acquisition.

In 2015, this new subsidiary contributed ₱306.7 million to the consolidated revenue and ₱8.2 million to the net income of the Group from the date of acquisition. If the acquisition took place at the beginning of 2015, the Group's revenue would have increased by ₱520.0 million and net income by ₱10.6 million.

b. Acquisition of Pilmico VHF (formerly Vinh Hoan 1 Feed Joint Stock Company)

In May 2014, Pilmico International Pte. Ltd. (Pilmico International), a newly incorporated Singapore-based subsidiary of the Company, acquired 70% of the outstanding shares of Pilmico VHF for a total consideration of US$19.8 million. Pilmico VHF is a leading and trusted supplier of aqua feeds based in Dong Thap, Vietnam. Founded in 2007, it operates a 130,000 tons per year aqua feed facility producing primarily pangasius feed.

Pilmico International has the obligation to purchase the remaining 30% interest in Pilmico VHF from the other shareholders within a period of five (5) years at the same price per share, bringing up the total transaction value to US$28.2 million. With its call option on the remaining 30% Pilmico VHF outstanding shares and its present access to the returns on said shares, Pilmico International treated the deal as a 100% acquisition. Consequently, Pilmico International recorded a ₱325.0 million financial liability for the option over the non-controlling interest in accordance with PAS 39.

The purchase of Pilmico VHF was treated as a business combination accounted for under the acquisition method. The acquisition of Pilmico VHF generated goodwill amounting to ₱394.2 million. The accounting for this business combination was finalized in 2015, and no changes were made on the purchase price allocation that was provisionally computed in 2014.

From the date of acquisition in 2014, Pilmico VHF contributed ₱1.7 billion in revenue and ₱16.0 million in net income to the Group. If the transaction took place at the beginning of 2014, the Group's revenue would have increased by ₱2.2 billion and net income by ₱157.5 million.

c. Acquisition of Lima Land, Inc.

In October 2013, AboitizLand acquired 60% interest, equivalent to 540 million common shares, in Lima Land, Inc. (LLI) for a total consideration of ₱1.4 billion. LLI is engaged in the business of industrial estate/economic zone development of the Lima Technology Center (LTC) located in Lipa City and Malvar, Batangas. It also wholly owns LEZ and LWC. LEZ is engaged in the supply and distribution of utilities while LWC is in the business of operating and maintaining the water requirements and waste water system at LTC.

The purchase of LLI was treated as a business combination accounted for under the acquisition method where non-controlling interest in the acquiree is measured at fair value. This transaction generated a goodwill of ₱528.8 million, representing the fair value of expected synergies arising from the acquisition.

In February 2014, AboitizLand purchased the remaining 40% of LLI, representing 360 million common shares, for ₱909.0 million. This transaction was treated as an acquisition from a non-controlling shareholder.

In 2014, LLI sold LEZ to AP. The transaction was a business combination involving entities under common control of the Company (and control was not transitory). As a result of the restructuring, a portion of the goodwill arising from the acquisition of LLI and subsidiaries amounting to ₱467.6 million was allocated to LEZ (see Note 12).

d. Step-acquisition of VECO

VECO is primarily engaged in the construction, operation and maintenance of a distribution system for the conveyance of electric power to the end-users in the cities of Cebu, Mandaue, Talisay and Naga and the municipalities of Minglanilla, San Fernando, Consolacion and Lilo-an, province of Cebu. It originally has a 50-year distribution franchise granted by the Philippine Legislature which was extended for two 25-year terms up to December 2028.

Prior to the step acquisition in 2013, AP directly owns 43.49% of VECO. It also owns 11.77% of VECO through its 46.73%-owned associate, Hijos de F. Escaño, Inc. (Hijos).

In 2013 and 2012, Hijos declared property dividends in the form of VECO shares to its shareholders (see Note 10). As a result of the property dividends, AP's direct ownership in VECO increased to 55.26%, allowing it to obtain control in VECO. The transaction was accounted for as a business combination achieved in stages.

The accounting for this business combination recognized in the December 31, 2013 consolidated financial statements was finalized in 2014. The business combination resulted to the recognition of franchise amounting to ₱3.1 billion (see Note 16), increase in fair value of property, plant and equipment amounting to ₱475.8 million and gain on the remeasurement of previously held interest amounting to ₱964.6 million (see Note 29).

From the date of acquisition in May 2013, revenue of VECO amounting to ₱11.3 billion now forms part of the consolidated revenue of the Group. If the combination had taken place at the beginning of 2013, the Group's revenue would have increased by ₱8.1 billion. There is no additional increase in net income because prior to the date of step-acquisition, share in the net income of VECO, an associate then, was already taken up in the books.

e. Sale of Investment in Abojeb Group

On February 12, 2014, the Company completed the divestment of its interests in the shipping and shipping-related businesses with the disposition of all its interests in Aboitiz Jebsen Company, Inc., Aboitiz Jebsen Manpower Solutions, Inc., and Jebsens Maritime, Inc. (collectively, the "Abojeb Group") to PTC Holdings Corporation, Behike Holdings, Inc., Valdicava Holdings, Inc., Jebsen Invest A.S. and Furunes Holdings Inc. The total consideration of this sale is equivalent to US$8.3 million. Gain generated from this sale amounted to ₱15.7 million.

As a result of this disposal, Abojeb Group was deconsolidated from the March 31, 2014 consolidated financial statements of the Group, and a gain amounting to ₱274.0 million was reported under "Other income - net" account in the 2014 consolidated statement of income.

f. Joint Operation

		Percentage of Ownership		
Name of Joint Operation	Nature of Business	**2015**	2014	2013
PEC*	Power generation	50.00	50.00	100.00

**PEC's principal place of business and country of incorporation is the Philippines. PEC has no commercial operations as of December 31, 2015.*

On May 15, 2014, AP entered into a shareholders' agreement with TPEC Holdings Corporation (TPEC) for the development, construction and operation of the 400 MW Pagbilao Unit III in Pagbilao, Quezon through PEC. TPI and TPEC both agreed to provide their respective capital contributions and subscribe to common shares such that each stockholder owns 50% of the issued and outstanding shares of stock of PEC. This effectively reduced the Group's ownership in PEC from 100% to 50%.

The financial and operating activities of the operation are jointly controlled by the participating shareholders and are primarily designed for the provision of output to the shareholders.

The Group's share of assets, liabilities, revenue, expenses and cash flows of joint operations are included in the consolidated financial statements on a line-by-line basis.

10. **Investments and Advances**

	2015	2014
Acquisition cost:		
Balance at beginning of year	**₱29,191,049**	₱27,968,228
Additions during the year	**24,515,343**	1,502,520
Disposals during the year	**–**	(279,699)
Write-offs during the year	**(721,625)**	–
Redemptions during the year	**(2,649,204)**	–
Balance at end of year	**50,335,563**	29,191,049
Accumulated share in net earnings:		
Balances at beginning of year	**24,628,963**	23,143,839
Share in net earnings for the year	**6,589,452**	7,244,240
Write-offs during the year	**801,096**	–
Disposals during the year	**–**	4,081
Deconsolidation of a subsidiary	**(57)**	–
Cash dividends received and receivable	**(4,947,084)**	(5,763,197)
Balance at end of year	**27,072,370**	24,628,963
Gain on dilution	**1,014,136**	1,014,136
Share in cumulative translation adjustments of associates and joint ventures	**(256,376)**	(375,489)
Share in actuarial losses on retirement benefit plan of associates and joint ventures	**(368,215)**	(359,464)
Share in net unrealized mark-to-market losses on AFS investments of associates	**(3,713,742)**	(1,468,732)
	74,083,736	52,630,463
Advances to associates	**32,056**	317,578
	74,115,792	52,948,041
Less allowance for impairment losses (see Note 3)	**680,731**	680,731
	₱73,435,061	₱52,267,310

The rollforward of the share in net unrealized mark-to-market losses on AFS investments of an associate follows:

	2015	2014
At January 1	**(₱1,468,732)**	(₱3,383,105)
Unrealized valuation gains (losses)	**(2,235,542)**	1,923,736
Realized valuation losses	**(9,468)**	(9,363)
At December 31	**(₱3,713,742)**	(₱1,468,732)

The Group's investees and the corresponding equity ownership are as follows:

	Nature of Business	**2015**	2014	2013
MORE*	Holding company	**83.33**	83.33	83.33
MHSCI*	Power generation	**60.00**	–	–
AEV CRH	Holding company	**60.00**	–	–
East Asia Utilities Corporation (EAUC)	Power generation	**50.00**	50.00	50.00
Cebu District Property Enterprise, Inc. (CDPEI)*	Real estate	**50.00**	50.00	–
Accuria, Inc.**	Holding company	**49.54**	49.54	49.54
Union Bank of the Philippines (UBP)	Banking	**47.97**	47.43	47.43
Hijos	Holding company	**46.73**	46.73	46.73
CRH ABOITIZ Holdings, Inc. (CRH ABOITIZ)	Holding company	**45.00**	–	–
San Fernando Electric Light & Power Co., Inc. (SFELAPCO)	Power distribution	**43.78**	43.78	43.78
Pampanga Energy Ventures, Inc. (PEVI)	Holding company	**42.84**	42.84	42.84
La Filipina Elektrika, Inc.**	Power generation	**40.00**	–	–
SACASUN[2*]	Power generation	**35.00**	–	–
STEAG	Power generation	**34.00**	34.00	34.00
Cebu Energy Development Corp. (CEDC)	Power generation	**26.40**	26.40	26.40
Redondo Peninsula Energy, Inc. (RP Energy)**	Power generation	**25.00**	25.00	25.00
SPPC	Power generation	**20.00**	20.00	20.00
WMPC	Power distribution	**20.00**	20.00	20.00

**Joint venture*

***No commercial operations as of December 31, 2015.*

The investees are all located in the Philippines.

As of December 31, 2015 and 2014, the undistributed earnings of the associates and joint ventures included in the Group's retained earnings are not available for distribution to the stockholders unless declared by the associates and joint ventures (see Note 24).

Acquisition of the Philippine Business of Lafarge S.A.
On September 15, 2015, AEV and CRH PLC (CRH), through their investment vehicles, AEV CRH and CRH ABOITIZ, closed the acquisition of Lafarge S.A. Philippine assets. AEV acquired its interest in AEV CRH and CRH ABOITIZ for a total consideration of ₱23.7 billion. Simultaneously, AEV CRH purchased 99.09% of RCBMI and 100% of LCLC shares, while CRH ABOITIZ acquired 100% of the outstanding common shares of Republic Cement Services, Inc. (RCSI) (formerly Lafarge Cement Services (Philippines), Inc.).

RCBM is a publicly-listed company engaged in the manufacture, development, exploitation and sale of cement, marble and all other kinds and classes of building materials, and the processing or manufacture of materials for any industrial or commercial purposes. It owns 99.63% of RCMI and 94.63% of RCII.

LCLC was incorporated primarily to acquire, develop and operate land, quarries and other properties used for mining, and to process all kinds of ore and cement materials. LCLC currently leases its land to RCBM and supplies RCBM with certain raw materials.

RCSI is engaged in providing technical, professional and management services to businesses involving cement manufacturing, distribution and quarrying. It provides management services to LCLC, RCBM, RCMI, and RCII in respect of their non-nationalized business activities.

Management considers this acquisition of a new business as a solid opportunity that will support the Company's thrust to develop infrastructure as one of its core businesses and provide a more diversified source of income for the conglomerate. Together with CRH, it aims to take an already successful Philippine cement operations and management team to greater heights, as the country's need for quality cement will continue to grow in line with its resurgent economy and infrastructure sector. Infrastructure will be the fifth leg of the Company's four core businesses: power generation and distribution, food manufacturing, banking and financial services, and real estate development.

The following table shows the summarized consolidated financial information of AEV CRH and CRH ABOITIZ as of December 31, 2015 and for the period September 15 to December 31, 2015 (in thousands):

	AEV CRH	**CRH ABOITIZ**
Current assets	₱7,266,741	₱682,077
Noncurrent assets	63,798,648	699,526
Current liabilities	17,864,592	847,951
Noncurrent liabilities	14,374,575	161,968
Non-controlling interest	204,954	–
Equity to equity holders	38,621,267	371,684
Group's carrying amount of the investment	₱23,573,714	₱244,547
Revenue	₱7,608,815	₱616,616
Net income attributable to equity holders	32,677	124,187
Group's share of the net income for the period	19,606	55,884

Acquisition of shares of SCSPI
In April 2015, the Group acquired, through ARI, shares of SCSPI amounting to ₱0.1 million, equivalent to 35% ownership in SCSPI. In various dates in 2015, the Group also infused additional capital to SCSPI by way of deposits for stock subscriptions amounting to ₱316.0 million. These were subsequently converted into shares of stock.

Capital infusion in MHSCI
In various dates in 2015, the Group infused capital in MHSCI by way of deposits for stock subscriptions amounting to ₱135.4 million. These were subsequently converted into shares of stock.

Joint Venture with Ayala Land, Inc. (ALI)
On February 20, 2014, AEV and Aboitizland, together with the ALI group, incorporated CDPEI as a 50-50 joint venture company (between the Aboitiz and Ayala group) that will develop a 15-hectare mixed use community in Mandaue City, Cebu. It will be comprised of residential towers, commercial spaces, with retail and office components. Subject to market conditions, the mixed use development is expected to be completed within the next 10 years. CDPEI will start off with the commercial development and the first residential tower which will cost more than ₱5.0 billion.

Under the joint venture agreement, all corporate acts of CDPEI should be approved with the unanimous consent of each party. Consequently, AboitizLand's 50% ownership in the voting shares of CDPEI is accounted for under the equity method in the Company's consolidated financial statements.

Sale of CICTI shares
In January 2014, AEV sold all of its interest in CICTI for a total consideration of ₱646.5 million. The ₱359.5 million gain generated from this disposal is included in "Other income - net" in the 2014 consolidated statement of income (see Note 29).

The detailed carrying values of investees, which are accounted for under the equity method, follow:

	2015	2014
UBP	**₱25,813,716**	₱26,307,238
AEV CRH	**23,573,714**	–
MORE	**13,123,420**	15,352,082
STEAG	**4,150,972**	4,252,177
CEDC	**2,694,465**	2,955,872
CDPEI	**1,490,511**	1,492,008
SFELAPCO/PEVI	**768,941**	706,900
RP Energy	**322,565**	330,019
SACASUN	**314,706**	–
WMPC	**262,303**	193,986
EAUC	**249,511**	224,757
CRH ABOITIZ	**244,547**	–
SPPC	**137,777**	91,296
MHSCI	**134,200**	–
Others	**121,655**	43,397
	₱73,403,003	₱51,949,732

The fair value of the investment in UBP for which there is a published price quotation amounted to ₱29.0 billion and ₱33.5 billion as of December 31, 2015 and 2014, respectively.

Following is the summarized financial information of significant associates and joint ventures:

	2015	2014	2013
UBP			
Total current assets	**₱113,826,652**	₱189,392,658	₱123,069,744
Total noncurrent assets	**319,477,687**	253,470,282	273,012,310
Total current liabilities	**304,383,438**	303,877,444	347,339,986
Total noncurrent liabilities	**7,200,000**	7,200,000	3,750,000
Equity attributable to equity holders of UBP Parent Company	**₱51,112,771**	₱52,854,495	₱44,977,204
Gross revenue	**₱16,235,225**	₱14,955,022	₱13,305,784
Operating profit	**7,475,404**	8,685,648	10,026,437
Net income attributable to equity holders of parent	**5,315,853**	6,840,012	9,025,118
Other comprehensive income (loss) attributable to equity holders of the parent	**480,789**	10,780,431	(115,892)
Group's share in net income	**₱2,533,581**	₱3,243,902	₱4,114,919
MORE			
Total current assets	**₱133,894**	₱1,024,283	₱1,214,975
Total noncurrent asets	**15,705,943**	18,420,732	18,197,774
Total current liabilities	**91,473**	999,803	1,217,972
Total noncurrent liabilities	**260**	22,714	25,104
Equity	**₱15,748,104**	₱18,422,498	₱18,169,673
Gross revenue	**₱166,636**	₱166,636	₱181,785
Operating profit	**2,557,392**	3,098,681	5,464,695
Net income	**2,552,419**	3,087,584	5,443,857
Other comprehensive income	**113,073**	49,978	232,247
Group's share in net income	**₱2,127,016**	₱2,552,580	₱4,538,352
STEAG			
Total current assets	**₱3,286,363**	₱3,005,932	₱3,171,335
Total noncurrent assets	**10,265,755**	9,921,145	10,073,983
Total current liabilities	**(1,747,652)**	1,737,831	1,483,567
Total noncurrent liabilities	**(3,900,707)**	3,899,890	2,368,601
Equity	**₱7,903,759**	₱7,289,356	₱9,393,150
Gross revenue	**₱4,864,480**	₱4,351,273	₱5,006,570
Operating profit	**2,060,028**	658,167	1,542,600
Net income	**1,414,229**	495,672	1,020,201
Other comprehensive income (loss)	**50,338**	3,095	(11,133)
Group's share in net income	**₱324,455**	₱9,520	₱185,553

(Forward)

	2015	2014	2013
CEDC			
Total current assets	**₱5,083,812**	₱5,602,608	₱5,810,072
Total noncurrent assets	**15,418,308**	16,023,078	16,697,916
Total current liabilities	**5,250,521**	4,755,207	5,003,268
Total noncurrent liabilities	**9,127,815**	10,152,587	11,388,005
Equity	**₱6,123,784**	₱6,717,892	₱6,116,715
Gross revenue	**₱8,108,516**	₱8,037,147	₱7,699,359
Operating profit	**3,196,976**	3,439,164	3,264,960
Net income	**2,366,296**	2,325,609	1,933,739
Other comprehensive income	**39,595**	24,431	5,648
Group's share in net income	**₱1,041,170**	₱1,023,268	₱850,845
SFELAPCO*			
Total current assets	**₱1,302,248**	₱1,317,304	₱1,048,331
Total noncurrent assets	**2,015,544**	2,145,415	1,833,986
Total current liabilities	**742,792**	814,231	736,821
Total noncurrent liabilities	**565,278**	618,794	509,292
Equity	**₱2,009,722**	₱2,029,694	₱1,636,204
Gross revenue	**₱4,208,990**	₱4,140,738	₱3,980,252
Operating profit	**170,695**	191,652	124,502
Net income	**165,094**	249,413	109,278
Other comprehensive income (loss)	**–**	310,688	(18,968)
Group's share in net income	**₱146,977**	₱61,845	₱46,812
WMPC			
Total current assets	**₱1,256,744**	₱982,321	₱903,464
Total noncurrent assets	**414,139**	391,953	833,267
Total current liabilities	**266,259**	357,644	363,058
Total noncurrent liabilities	**93,109**	46,701	300,434
Equity	**₱1,311,515**	₱969,929	₱1,073,239
Gross revenue	**₱1,430,260**	₱1,441,632	₱1,385,924
Operating profit	**926,475**	758,494	785,228
Net income	**774,493**	617,781	620,297
Other comprehensive income (loss)	**2,270**	1,490	(524)
Group's share in net income	**₱155,353**	₱123,556	₱132,689
SPPC			
Total current assets	**₱529,902**	₱432,433	₱522,843
Total noncurrent assets	**351,948**	305,304	586,581
Total current liabilities	**123,326**	174,915	191,808
Total noncurrent liabilities	**69,638**	106,344	209,581
Equity	**₱688,886**	₱456,478	₱708,035

(Forward)

	2015	2014	2013
Gross revenue	**₱709,403**	₱742,717	₱716,856
Operating profit	**430,392**	312,739	306,109
Net income	**365,512**	456,478	266,063
Other comprehensive income (loss)	**(360)**	300	(743)
Group's share in net income	**₱73,030**	₱50,256	₱53,933
EAUC			
Total current assets	**₱501,439**	₱499,712	₱662,744
Total noncurrent assets	**341,450**	376,152	165,780
Total current liabilities	**101,726**	96,393	226,011
Total noncurrent liabilities	**23,832**	23,180	14,149
Equity	**₱717,331**	₱756,291	₱588,364
Gross revenue	**₱936,209**	₱1,204,811	₱1,066,284
Operating profit	**224,986**	219,004	308,504
Net income	**160,596**	199,344	237,806
Other comprehensive income (loss)	**3,242**	8,334	(2,791)
Group's share in net income	**₱125,233**	₱123,598	₱176,953
SACASUN			
Total current assets	**₱984,914**	₱–	₱–
Total noncurrent assets	**2,515,145**	–	–
Total current liabilities	**956,524**	–	–
Total noncurrent liabilities	**1,645,852**	–	–
Equity	**₱897,683**	₱–	₱–
Gross revenue	**₱–**	₱–	₱–
Operating loss	**(829)**	–	–
Net loss	**(4,099)**	–	–
Other comprehensive loss	**–**	–	–
Group's share in net loss	**(₱1,434)**	₱–	₱–
Others**			
Total current assets	**₱297,940**	₱241,009	₱353,548
Total noncurrent assets	**2,600,411**	1,456,128	1,415,485
Total current liabilities	**20,047**	3,941	32,857
Total noncurrent liabilities	**36,664**	29,190	28,791
Gross revenue	**124,029**	1,869	2,016
Net loss	**(₱54,196)**	(₱28,454)	(₱174,189)

** Amounts are based on appraised values which are adjusted to historical amounts upon equity take-up of the Group. Using cost method in accounting for property, plant and equipment net income amounted to ₱335.7 million, ₱301.1 million and ₱255.7 million in 2015, 2014 and 2013, respectively, for SFELAPCO.*

***The financial information of insignificant associates and joint ventures is indicated under "Others".*

11. Material partly-owned subsidiary

As of December 31, 2015, the Company has 76.88% interest in AP, a holding company incorporated in the Philippines.

The summarized financial information as of December 31, 2015 and 2014 of AP is provided below:

	2015	2014
Revenue	**₱85,173,952**	₱86,759,386
Cost of sales	**46,426,239**	50,871,807
Administrative expenses	**14,061,136**	13,536,820
Finance costs - net	**6,633,858**	5,994,097
Profit before tax	**22,542,320**	21,429,990
Income tax	**3,589,669**	3,424,089
Profit for the year from continuing operations	**₱18,952,651**	₱18,005,901
Total comprehensive income	**₱19,178,573**	₱18,265,941
Attributable to non-controlling interests	**₱1,356,861**	₱1,296,069
Dividends paid to non-controlling interests	**2,823,782**	2,823,782

12. Impairment Testing of Goodwill

Goodwill acquired through business combinations have been attributed to each business considered as cash-generating unit.

The recoverable amount of the investments has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period.

Key assumptions used in value in use calculation for December 31, 2015 and 2014
The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill.

Discount rates and growth rates
The discount rates applied to cash flow projections are from 11.36% to 18.36% in 2015 and from 12.05% to 15.88% in 2014, and cash flows beyond the five-year period are extrapolated using a zero percent growth rate.

Revenue assumptions
Revenue assumptions are based on the expected electricity to be sold. In 2015, revenue growth of 6% in year 1 and 4% for the next four years was applied for LEZ; 8% for year 1 and 4% for the next four years for MEZ; 1% in year 1, 4% for the next three years and 5% in year 5 was applied to BEZ; and 11% in year 1, 1% in year 2, -18% in year 3, 16% in year 4 and 3% in year 5 was applied for HI. Revenue assumptions for LLI are based on sale of existing lots (4% in year 1, 3% in years 2 and 3, -41% in year 4 and -73% % in year 5). VHF revenue assumptions are based on projected aquafeeds sales (7% in year 1, 16% in year 2 and no growth from years 3 to 5). PETNET revenue

assumptions are based on income from money remittance and other allied services (24% in year 1, 2% in year 2, 4% in year 3, 5% in year 4 and 3% in year 5).

In 2014, revenue growth of 24% in year 1, 14% in year 2, 10% in year 3, 5% in year 4 and 0% in year 5 was applied for LEZ; 8% for year 1 and 1% for the next four years for BEZ; 2% in year 1, 1% for the next four years was applied to MEZ; and 6% in year 1 and 0% for the next four years for HI. Revenue assumptions for LLI are based on sale of existing lots (-31% in year 1, 5% in year 2, 4% in year 3, and 2% in years 4 and 5).

Foreign exchange rates

2015: The assumption used to determine foreign exchange rate is a weakening Philippine peso which starts at a rate of ₱48.00 to a dollar in 2016 and depreciates at 2% annually until 2020.

2014: The assumption used to determine foreign exchange rate is a weakening Philippine peso which starts at a rate of ₱45.50 to a dollar in 2015, ₱46.82 to a dollar in 2016 and depreciates at 2% annually until 2019.

Materials price inflation

2015: The assumption used to determine the value assigned to the materials price inflation is 4.00% in 2016 and remains constant until 2020. The starting point of 2016 is consistent with external information sources.

2014: The assumption used to determine the value assigned to the materials price inflation is 3.90% in 2015 and increases by 10 basis points in the next year. It then remains at 4% until 2019. The starting point of 2015 is consistent with external information sources.

Based on the assumptions used in impairment testing, no impairment of goodwill was recognized in 2015 and 2014. With regard to the assessment of value-in-use, management believes that no reasonable possible change in any of the above key assumptions would cause the carrying value of the goodwill to materially exceed its recoverable amount.

The carrying amount of goodwill follows:

	2015	2014
PETNET (see Note 9)	**₱523,866**	₱–
LEZ (see Note 9)	**467,586**	467,586
Pilmico VHF (Note 9)	**394,217**	394,217
BEZ	**237,404**	237,404
HI	**220,228**	220,228
MEZ	**169,469**	169,469
LLI (see Note 9)	**61,202**	61,202
	₱2,073,972	₱1,550,106

13. Property, Plant and Equipment and Land and Improvements

December 31, 2015

	Building, Warehouses and Improvements	Power Plant and Equipment (see Note 21)	Transmission, Distribution Equipment and Substation	Machinery and Equipment	Flight Equipment	Transportation Equipment	Handling Equipment	Office Furniture, Fixtures and Equipment	Leasehold Improvements	Land	Construction in Progress	Others	Total
Cost													
At January 1	**₱5,869,678**	**₱87,188,066**	**₱12,753,079**	**₱4,807,225**	**₱1,010,290**	**₱1,286,608**	**₱246,092**	**₱2,446,038**	**₱1,338,372**	**₱1,749,671**	**₱33,784,752**	**₱992,633**	**₱153,472,504**
Acquisition of subsidiary (see Note 9)	**7,995**	**–**	**–**	**–**	**–**	**20,559**	**–**	**65,142**	**84,085**	**19,109**	**–**	**–**	**196,890**
Additions	**319,206**	**832,326**	**813,284**	**65,661**	**3,262**	**160,924**	**–**	**307,595**	**31,503**	**34,489**	**19,669,683**	**85,157**	**22,323,090**
Disposals	**(19,743)**	**(131,758)**	**–**	**(19,490)**	**–**	**(84,941)**	**–**	**(24,396)**	**(19,247)**	**(113)**	**–**	**(35)**	**(299,723)**
Reclassifications	**11,090,201**	**11,718,240**	**1,155,032**	**211,593**	**–**	**44,607**	**–**	**1,136,473**	**2,067,470**	**78,237**	**(27,683,689)**	**93,276**	**(88,560)**
At December 31	**17,267,337**	**99,606,874**	**14,721,395**	**5,064,989**	**1,013,552**	**1,427,757**	**246,092**	**3,930,852**	**3,502,183**	**1,881,393**	**25,770,746**	**1,171,031**	**175,604,201**
Accumulated depreciation and amortization													
At January 1	**1,975,075**	**15,342,647**	**4,244,446**	**2,051,135**	**193,037**	**735,677**	**79,696**	**1,634,742**	**285,716**	**19,959**	**–**	**706,648**	**27,268,778**
Acquisition of subsidiary (see Note 9)	**1,016**	**–**	**–**	**–**	**–**	**9,274**	**–**	**61,761**	**81,730**	**–**	**–**	**–**	**153,781**
Depreciation and amortization	**421,779**	**3,186,286**	**110,693**	**194,203**	**41,147**	**123,330**	**8,614**	**277,766**	**74,808**	**9,265**	**–**	**17,333**	**4,465,224**
Disposals	**(1,491)**	**(21,619)**	**–**	**(8,762)**	**–**	**(13,523)**	**–**	**(25,930)**	**(11,472)**	**(113)**	**–**	**(33)**	**(82,943)**
Reclassifications	**551,823**	**(447,864)**	**(10,799)**	**201,621**	**–**	**(59,868)**	**–**	**188,715**	**1,353**	**73,987**	**(722,768)**	**25,459**	**(198,341)**
At December 31	**2,948,202**	**18,059,450**	**4,344,340**	**2,438,197**	**234,184**	**794,890**	**88,310**	**2,137,054**	**432,135**	**103,098**	**(722,768)**	**749,407**	**31,606,499**
Net Book Value	**₱14,319,135**	**₱81,547,424**	**₱10,377,055**	**₱2,626,792**	**₱779,368**	**₱632,867**	**₱157,782**	**₱1,793,798**	**₱3,070,048**	**₱1,778,295**	**₱26,493,514**	**₱421,624**	**₱143,997,702**

December 31, 2014

	Building, Warehouses and Improvements	Power Plant and Equipment (see Note 21)	Transmission, Distribution Equipment and Substation	Machinery and Equipment	Flight Equipment	Transportation Equipment	Handling Equipment	Office Furniture, Fixtures and Equipment	Leasehold Improvements	Land	Construction in Progress	Others	Total
Cost													
At January 1	₱5,232,306	₱84,097,522	₱11,241,838	₱4,577,172	₱997,521	₱1,230,709	₱246,092	₱2,553,291	₱1,347,049	₱1,549,874	₱21,554,548	₱926,495	₱135,554,417
Acquisition of subsidiaries (see Note 9)	694	–	869,281	–	–	20,046	–	20,679	3,268	105,058	7,015	12,383	1,038,424
Additions	65,922	1,281,957	957,752	32,282	12,769	138,648	–	219,914	40,482	116,817	14,845,908	51,953	17,764,404
Disposals	(3,961)	(24,455)	(322,781)	(52,854)	–	(78,688)	–	(33,002)	–	(96,272)	(22,702)	(187)	(634,902)
Reclassifications	574,717	1,833,042	6,989	250,625	–	(24,107)	–	(314,844)	(52,427)	74,194	(2,600,017)	1,989	(249,839)
At December 31	5,869,678	87,188,066	12,753,079	4,807,225	1,010,290	1,286,608	246,092	2,446,038	1,338,372	1,749,671	33,784,752	992,633	153,472,504
Accumulated depreciation and amortization													
At January 1	1,869,152	12,409,793	3,506,215	1,781,482	153,517	672,563	68,454	1,459,571	249,688	19,959	–	642,116	22,832,510
Acquisition of subsidiaries (see Note 9)	303	–	167,647	–	–	12,760	–	10,958	3,090	–	–	10,760	205,518
Depreciation and amortization	243,076	2,945,730	714,942	165,561	39,520	121,611	11,242	363,827	42,844	–	–	53,622	4,701,975
Disposals	(455)	(24,456)	(144,390)	(6)	–	(62,463)	–	(24,677)	108	–	–	(294)	(256,633)
Reclassifications	(137,001)	11,580	32	104,098	–	(8,794)	–	(174,937)	(10,014)	–	–	444	(214,592)
At December 31	1,975,075	15,342,647	4,244,446	2,051,135	193,037	735,677	79,696	1,634,742	285,716	19,959	–	706,648	27,268,778
Net Book Value	₱3,894,603	₱71,845,419	₱8,508,633	₱2,756,090	₱817,253	₱550,931	₱166,396	₱811,296	₱1,052,656	₱1,729,712	₱33,784,752	₱285,985	₱126,203,724

In 2015 and 2014, additions to power plant equipment and steam field assets include asset retirement obligation amounting to ₱560.8 million and ₱220.7 million, respectively (see Note 21).

In 2015 and 2014, additions to "Construction in progress" include capitalized borrowing costs amounting to ₱1.52 billion and ₱1.05 billion, respectively, and construction costs that have not been paid as of December 31, 2015 and 2014 (see Note 16).

Property, plant and equipment with carrying amounts of ₱43.5 billion and ₱29.3 billion as of December 31, 2015 and 2014, respectively, are used to secure the Group's long-term debts (see Note 19).

Fully depreciated property, plant and equipment with cost amounting to ₱5.5 billion and ₱4.8 billion as of December 31, 2015 and 2014, respectively, are still in use.

A significant portion of the Group's property, plant and equipment relates to various projects under "Construction in progress" as of December 31, 2015 and 2014, as shown below:

Project Company	**Estimated Cost to Complete (in millions Php)**		**% of Completion**	
	2015	2014	**2015**	2014
TVI	**₱32,023**	not started	**17%**	not started
PEC	**14,798**	₱19,416	**33%**	13%
Hedcor Bukidnon	**9,964**	not started	**12%**	not started
TSI	**1,918**	6,686	**94%**	79%
Hedcor Sabangan	**–**	742	**100%**	61%

Certain subsidiaries entered into loan agreements for the construction of their plant facilities in the last three years. Borrowing costs capitalized and included in "Construction in progress" accounts follow:

	Borrowing Cost (in millions)		
Company	**2015**	2014	Capitalization Rate
Aseagas	**₱64.8**	₱–	4.29%
PILMICO	**42.2**	7.9	2.00%-5.77%
Total	**₱107.0**	₱7.9	

Certain subsidiaries entered into loan agreements for the construction of their plant facilities in the last three years. Borrowing costs capitalized and included in "Construction in progress" accounts amounted to ₱1.6 billion in 2015 and ₱1.1 in 2014. The resulting capitalization rates of these borrowing costs ranged from 2.00% to 6.96% in 2015 and 2014.

Land and Improvements

	2015	2014
Cost		
At January 1	**₱1,970,211**	₱2,041,356
Additions	**685,642**	200,083
Transfers/Adjustments	**304,793**	(271,228)
At December 31	**₱2,960,646**	₱1,970,211

14. Investment Properties - at Fair Value

December 31, 2015

	Land	Land Improvements	Buildings	Total
At January 1	**₱3,342,696**	**₱217,631**	**₱881,090**	**₱4,441,417**
Additions	**651,755**	**1,769**	**20,218**	**673,742**
Gain on fair valuation	**150,636**	**–**	**35,876**	**186,512**
Disposals	**(168,575)**	**–**	**(25,000)**	**(193,575)**
Transfers/adjustments	**–**	**16,158**	**59,526**	**75,684**
At December 31	**₱3,976,512**	**₱235,558**	**₱971,710**	**5,183,780**

December 31, 2014

	Land	Land Improvements	Buildings	Total
At January 1	₱3,020,238	₱263,681	₱656,935	₱3,940,854
Additions	141,864	24,954	50,049	216,867
Gain on fair valuation	–	–	5,001	5,001
Transfers/adjustments	180,594	(71,004)	169,105	278,695
At December 31	₱3,342,696	₱217,631	₱881,090	₱4,441,417

Rental income earned from and direct operating expenses of investment properties amounted to ₱385.0 million and ₱133.4 million, respectively, in 2015; ₱430.2 million and ₱123.0 million, respectively, in 2014; and ₱370.6 million and ₱111.1 million, respectively, in 2013 (see Note 25).

As at December 31, 2015 and 2014, the fair values of the properties are based on valuations performed by an accredited independent valuer. The valuation model in accordance with that recommended by the International Valuation Standards Committee has been applied.

The fair values of the Group's investment properties were determined as follows:

- In valuing the land, the Group used the Sales Comparison Approach. This is a comparative approach to value that considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison.

  The appraiser gathers data on actual sales and/or listings, offers, and renewal options, and identifies the similarities and differences in the data, ranks the data according to their relevance, adjusts the sales prices of the comparable to account for the dissimilarities with the unit being appraised, and forms a conclusion as to the most reasonable and probable market value of the subject property.

  The elements of comparison include location, physical characteristics, available utilities, zoning, and highest and best use. The most variable elements of comparison are the site's physical characteristics, which include its size and shape, frontage, topography and location.

Reproduction cost is the current cost of constructing a replica of the existing structures, employing the same design and similar building materials. The current cost of an identical new item.

- In valuing the land improvements and building, the Group used the Cost Approach. This is a comparative approach to the value of property or another asset that considers as a substitute for the purchase of a given property, the possibility of constructing another property that is a replica of, or equivalent to, the original or one that could furnish equal utility with no undue cost resulting from delay. It is based on the reproduction or replacement cost of the subject property or asset, less total (accrued) depreciation. In the context of asset valuation, depreciation refers to the adjustments made to the cost of reproducing or replacing the asset to reflect physical deterioration, functional (technical) obsolescence and economic (external) obsolescence in order to estimate the value of the asset in a hypothetical exchange in the market when there is no direct sales evidence available. Sound value of an asset is determined by applying the two types of depreciation such as physical deterioration and functional obsolescence. Market Value reflects all the three types of depreciation.

Fair value investment properties are estimated under Level 3 inputs.

The Group has no restrictions on the realizability of its investment properties and no contractual obligations to either purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

	Fair value at December 31, 2015	**Valuation technique**	**Significant unobservable inputs**	**Range (weighted average)**
Land	**₱3,976,512**	**Sales Comparison Approach**	**Price per square meter**	**₱4,100 - ₱183,920**
Buildings and Land Improvements	**1,207,268**	**Cost Approach**	**Estimated cost, remaining economic life**	**15 - 35 years**

	Fair value at December 31, 2014	Valuation technique	Significant unobservable inputs	Range (weighted average)
Land	₱3,342,696	Sales Comparison Approach	Price per square meter	₱480 - ₱6,276
Buildings and Land Improvements	1,098,721	Cost Approach	Estimated cost, remaining economic life	15 - 38 years

For land, significant increases (decreases) in price per square meter would result in a significantly higher (lower) fair value of the properties.

For buildings and land improvements, significant increases (decreases) in estimated replacement cost and remaining economic life would result in a significantly higher (lower) fair value of the properties.

15. Intangible Asset - Service Concession Rights

	2015	2014
Cost:		
At January 1	**₱4,847,271**	₱4,792,017
Additions from internal development	**20,046**	36,286
Effect of translation	**144,167**	18,968
	5,011,484	4,847,271
Accumulated amortization:		
At January 1	**1,446,917**	1,128,742
Amortization (see Note 27)	**338,031**	318,175
	1,784,948	1,446,917
	₱3,226,536	₱3,400,354

The amortization of intangible asset is included in "Depreciation and amortization" under "Operating Expenses" in the consolidated statements of income (see Note 27).

Service concession arrangements entered into by the Group are as follows:

- On November 24, 1996, LHC entered into a PPA with NPC, its sole customer, for the construction and operation of a 70-megawatt hydroelectric power generating facility (the Power Station) in Bakun River in Benguet and Ilocos Sur Provinces on a build-operate-transfer scheme. Under the PPA, LHC shall deliver to NPC all electricity generated over a cooperation period of 25 years until February 5, 2026.

  On the Transfer Date, as defined in the PPA, LHC shall transfer to NPC, free from any lien or encumbrance, all its rights, title and interest in and to the Power Station and all such data as operating manuals, operation summaries/transfer notes, design drawings and other information as may reasonably be required by NPC to enable it to operate the Power Station.

  Since NPC controls the ownership of any significant residual interest of the Power Station at the end of the PPA, the PPA is accounted for under the intangible asset model as LHC has the right to charge users for the public service under the service concession arrangement.

  The Power Station is treated as intangible asset and is amortized over a period of 25 years, which is the service concession period. The intangible asset with a carrying value of ₱2.4 billion and ₱2.5 billion as of December 31, 2015 and 2014 was used as collateral to secure LHC's long-term debt (see Note 19).

- On May 15, 2003, the SBMA, AEV and DLP entered into a DMSA to privatize SBMA Power Distribution System (PDS) on a rehabilitate-operate-and-transfer arrangement; and to develop, construct, lease, lease out, operate and maintain property, structures, and machineries in the Subic Bay Freeport Zone (SBFZ).

  Under the terms of the DMSA, SEZ was created to undertake the rehabilitation, operation and maintenance of the PDS (the Project), including the provision of electric power service to the customers within the Subic Bay Freeport Secured Areas of the SBFZ as well as the collection of the relevant fees from them for its services and the payment by SBMA of the service fees throughout the service period pursuant to the terms of the DMSA. The DMSA shall be effective for a 25-year period commencing on the turnover date.

For and in consideration of the services and expenditures of SEZ, it shall be paid by the SBMA the service fees equivalent to all the earnings of the Project, provided, however, that SEZ shall remit the amount of ₱40.0 million to the SBMA at the start of every 12-month period throughout the service period, regardless of the earnings of the Project. The said remittances may be reduced by the outstanding power receivables from SBMA, including streetlights power consumption and maintenance, for the immediate preceding year.

Since SBMA controls ownership of the equipment at the end of the agreement, the PDS are treated as intangible assets and are amortized over a period of 25 years up to year 2028, in accordance with Philippine Interpretation IFRIC 12.

The carrying value of the intangible asset arising from the service concession arrangement amounted to ₱747.9 million and ₱786.8 million as of December 31, 2015 and 2014, respectively.

- The transmission and distribution equipment of MEZ are located within Mactan Export Processing Zone (MEPZ) II. Since MCIAA controls ownership of the equipment at the end of the agreement, the equipment are treated as intangible assets and are amortized over a period of 21 years up to year 2028, in accordance with Philippine Interpretation IFRIC 12.

  The carrying amount of the intangible asset arising from the service concession arrangement amounted to ₱102.4 million and ₱112.5 million as of December 31, 2015 and 2014, respectively.

16. Other Noncurrent Assets

	2015	2014
Input VAT and tax credit receivable	**₱4,750,339**	₱5,726,083
Intangible assets:		
Franchise (see Note 9)	**2,879,615**	2,956,576
Project development costs	**294,071**	322,412
Customer contracts (see Note 9)	**79,377**	94,786
Software and licenses	**86,124**	44,928
Prepaid rent and other deposits (see Note 38)	**874,130**	906,057
Advances to contractors and projects	**781,135**	370,654
Receivable from National Grid Corporation of the Philippines (NGCP)	**102,350**	608,482
Bearer biological assets - net (see Note 8)	**98,662**	73,326
Others	**484,580**	279,829
	₱10,430,383	₱11,383,133

The customer contracts pertain to agreements between LEZ, LWC and the locators within LiMa Technology Center relating to the provision of utility services to the locators. These contracts are treated as intangible assets and are amortized over a period of 6 years since 2014.

Receivable from NGCP pertains to cost of installation and construction of substation and transmission facilities to be reimbursed by NGCP as part of the agreement on the advance implementation of network assets.

Rollforward of intangible assets follow:

December 31, 2015

	Franchise	Project development costs	Customer contracts	Software and licenses
Balances at beginning of year	**₱2,956,576**	**₱322,412**	**₱94,786**	**₱44,928**
Additions	**–**	**120,871**	**–**	**56,694**
Business combination (see Note 9)	**–**	**(317)**	**–**	**–**
Write-off	**–**	**(148,895)**	**–**	**–**
Amortization	**(76,961)**	**–**	**(15,409)**	**(15,498)**
Balances at end of year	**₱2,879,615**	**₱294,071**	**₱79,377**	**₱86,124**

December 31, 2014

	Franchise	Project development costs	Customer contracts	Software and licenses
Balances at beginning of year	₱3,046,311	₱121,988	₱104,475	₱13,036
Additions	–	265,101	–	37,495
Business combination (see Note 9)	–	–	(3,968)	–
Write-off	–	(64,677)	–	–
Amortization	(76,772)	–	(5,721)	(12,787)
Transfers	(12,963)	–	–	7,184
Balances at end of year	₱2,956,576	₱322,412	₱94,786	₱44,928

17. Bank Loans

	2015	2014
Philippine peso loans	**₱8,440,900**	₱7,343,700
Vietnamese dong loans	**442,156**	–
	₱8,883,056	₱7,343,700

The peso loans are unsecured short-term notes payable obtained from local banks with annual interest rates ranging from 2.4% to 4.4% in 2015 and 1.9% to 3.5% in 2014. These loans will mature on various dates in 2016.

The Philippine peso and Vietnamese dong short-term loans are covered by the respective borrower's existing credit lines with the banks and are not subject to any significant covenants and warranties.

Total interest expense on bank loans recognized in 2015, 2014 and 2013 amounted to ₱190.6 million, ₱123.0 million and ₱170.7 million, respectively (see Note 35).

18. Trade and Other Payables

	2015	2014
Trade payables (see Note 38)	**₱9,715,458**	₱8,128,233
Nontrade and other payables	**3,409,475**	2,210,711
Accrued expenses	**2,427,875**	2,133,515
Output VAT	**2,219,658**	2,525,211
Amounts due to contractors and other third parties	**1,060,588**	941,168
Unearned revenue	**34,705**	38,642
	18,867,759	15,977,480
Less non-current portion (see Note 34)	**302,202**	345,915
	₱18,565,557	₱15,631,565

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

Nontrade payables include amounts due to PSALM pertaining to Generation Rate Adjustment Mechanism (GRAM), Incremental Currency Exchange Rate Adjustment (ICERA), and Universal Charges. Other payables represent withholding taxes, insurance liabilities and other accrual of expenses arising in the ordinary course of business and are generally payable within 12 months from the reporting date.

Accrued expenses include interest on borrowings, fuel and lube costs, taxes and licenses, freight expense, materials and supplies, and energy fees that are due within 12 months. These represent ₱1.8 billion and ₱1.7 billion of the total accrued expenses as of December 31, 2015 and 2014, respectively.

Amounts due to contractors and other third parties include liabilities arising from the power plant construction (see Note 13).

19. Long-term Debts

	2015		2014	
	Annual Interest Rate	**Amount**	Annual Interest Rate	Amount
Company:				
Financial and non-financial institutions - unsecured	**4.41% - 6.02%**	**₱32,000,000**	4.41% - 5.23%	₱9,188,000
Subsidiaries:				
TSI				
Financial institution - secured	**4.50% - 5.14%**	**25,083,407**	4.50% - 6.43%	24,000,000
AP				
Financial and non-financial institutions - unsecured	**5.21% - 6.10%**	**10,000,000**	5.21% - 6.10%	10,000,000
TVI				
Financial institution - secured	**6.02% – 6.23%**	**8,673,999**	–	–
Hedcor Bukidnon				
Financial institution - secured	**5.28% – 6.00%**	**3,215,247**	–	–
PILMICO				
Financial institutions - secured	**5.09% - 5.65%**	**2,858,000**	5.35% - 5.65%	1,372,000
PANC				
Financial institution - secured	**5.02% - 6.47%**	**2,600,000**	5.35% - 6.47%	950,000
ASEAGAS				
Financial institution - secured	**4.66% - 5.06%**	**2,000,000**	4.89% - 5.06%	995,106

(Forward)

	2015		2014	
	Annual Interest Rate	**Amount**	Annual Interest Rate	Amount
VECO				
Financial institution -unsecured	**3.50% - 4.81%**	**₱1,584,000**	3.50% - 4.81%	₱1,792,000
LHC				
Financial institution - secured	**2.38% - 2.56%**	**1,560,039**	2.38% - 2.56%	1,728,428
DLP				
Financial institutions - unsecured	**3.50% - 4.81%**	**1,188,000**	3.50% - 4.81%	1,344,000
HI				
Financial institution - secured	**5.25%**	**720,000**	5.25%	810,000
CPDC				
Financial institutions - unsecured	**4.24% - 5.11%**	**480,000**	4.12% - 5.11%	540,000
SEZ				
Financial institutions - unsecured	**5.61% - 6.06%**	**339,000**	5.61% - 6.06%	395,500
CLP				
Financial institution - unsecured	**3.50% - 4.81%**	**237,600**	3.50% - 4.81%	268,800
ABOITIZLAND				
Financial institutions:				
Philippine peso - secured	**4.67% - 6.89%**	**150,000**	4.67% - 6.89%	187,500
US$ - secured	**1.31% - 1.59%**	**115,061**	1.31% - 1.59%	131,208
Philippine peso - unsecured	**–**	**–**	7.56% - 7.68%	585,404
Joint Operation:				
PEC				
Financial institution - secured	**4.70% - 6.68%**	**6,973,502**	4.70% - 6.68%	3,173,501
Total		**99,777,855**		57,461,447
Less deferred financing costs		**1,230,123**		739,463
		98,547,732		56,721,984
Less current portion		**3,133,346**		2,907,302
		₱95,414,386		₱53,814,682

The Company

2015 Retail Bonds - ₱24.0 billion

In August 2015, the Company issued a total of ₱24.0 billion bonds, broken down into ₱10.5 billion 5-year, ₱8.5 billion 7-year and ₱5.0 billion 12-year bonds at annual fixed interest rates ranging from 4.47% to 6.02%.

Unamortized deferred financing costs on this debt amount to ₱219.9 million as of December 31, 2015.

2013 Retail Bonds - ₱8.0 billion

In November 2013, the Company issued a total of ₱8.0 billion bonds, broken down into ₱6.2 billion 7-year and ₱1.8 billion 10-year bonds at fixed interest rates ranging from 4.41% to 4.62%.

Unamortized deferred financing costs on this debt amount to ₱63.2 million and ₱86.1 million as of December 31, 2015 and 2014, respectively.

The 2015- and 2013-issued retail bonds have been rated PRS Aaa by the Philippine Rating Services Corporation (PhilRatings).

The principal amount of the above bonds shall be payable on a lump sum basis on the respective maturity date at its face value.These bonds may be redeemed in advance by the Company based on stipulated early redemption option dates and on agreed early redemption price.

2010 Fixed Rate Corporate Notes - ₱1.5 billion

On November 30, 2010, the Company availed ₱1.5 billion from the Notes Facility Agreement (NFA) it signed with Bank of Philippine Islands, BPI Asset Management and Trust Company as Investment

Manager for ALFM Peso Bond, Inc. and BPI Asset Management and Trust Company as Noteholders. The NFA provided for the issuance of 5-year corporate notes in a private placement to not more than 19 institutional investors. This unsecured debt bears an annual interest of 5.23%.

In November 2015, the loan was fully paid upon maturity.

AP

2014 Retail Bonds - ₱10.0 billion

In September 2014, AP issued a total of ₱10.0 billion bonds, broken down into a ₱6.6 billion 7-year bond due 2021 at an annual fixed rate equivalent to 5.21% and a ₱3.4 billion 12-year bond due 2026 at an annual fixed rate equivalent to 6.10%. The bonds have been rated PRS Aaa by PhilRatings.

The principal amount of the bonds shall be payable on a lump sum basis on the respective maturity date at its face value.These bonds may be redeemed in advance by AP based on stipulated early redemption option dates and on agreed early redemption price.

Unamortized deferred financing cost reduced the carrying amount of long-term debt by ₱88.8 million and ₱98.1 million as of December 31, 2015 and 2014, respectively.

TSI

On October 14, 2013, TSI entered into an omnibus agreement with local banks for a project loan facility with an aggregate principal amount of ₱24.0 billion, which was fully drawn in 2014.

On October 28, 2015, TSI entered into an additional loan agreement with principal amount of ₱1.7 billion. As of December 31, 2015, ₱1.2 billion has been drawn from the loan facility.

The loan is secured by a mortgage of all its assets with carrying amount of ₱36.32 billion and ₱33.53 billion as of December 31, 2015 and 2014, respectively, and a pledge of TSI's shares of stock held by AP and TPI.

Interest rate ranging from 4.50% - 5.14% is fixed for the first seven years and will be repriced and fixed for another five years. Fifty percent of the principal amount of the loan is payable at semi-annual installments within 12 years with a two-year grace period, with the remaining 50% payable in full on the final maturity date.

TSI may prepay the loan in part or in full beginning on the end of the third year from the initial advance or on the project completion date, whichever is earlier. Any prepayment shall be subject to a certain percentage of pretermination penalty on the principal to be prepaid.

Unamortized deferred financing cost reduced the carrying amount of the loan by ₱264.3 million and ₱278.5 million as of December 31, 2015 and 2014, respectively.

TVI

On June 18, 2015, TVI entered into an omnibus agreement with local banks for a project loan facility with an aggregate principal amount of ₱31.97 billion. As of December 31, 2015, ₱8.67 billion has been drawn from the loan facility.

The loan is available in two tranches, as follows:

- Tranche A, in the amount of ₱25.97 billion, with interest rate fixed for the first eight years and will be repriced and fixed for another seven years.
- Tranche B, in the amount of ₱6.00 billion, with a fixed interest rate for fifteen years.

70% of the principal amount of the loan is payable in 22 equal semi-annual installments starting July 2019, with the remaining 30% payable in full on the final maturity date. TVI may prepay the loan in part or in full beginning on the end of the fourth year from the initial advance or on the project completion date, whichever is earlier. Any prepayment shall be subject to a certain percentage of pretermination penalty on the principal to be prepaid.

The loan is secured by a mortgage of all its assets with carrying amount of ₱9.64 billion as of December 31, 2015, and a pledge of TVI's shares of stock held by its shareholders.

Unamortized deferred financing cost reduced the carrying amount of long-term debt by ₱398.9 million as of December 31, 2015.

VECO

On December 20, 2013, VECO availed of ₱2.0 billion from the NFA it signed on December 17, 2013 with the Land Bank of the Philippines (LBP). The unsecured notes were issued in ten tranches of ₱200 million with interest payable semi-annually at fixed annual rates ranging from 3.50% - 4.81% and principal amortized as follows:

Tranche	Maturity Date	Principal Repayment Amount
A, B	December 20, 2014 and 2015	₱200M balloon payment on maturity date
C	December 20, 2016	₱1M each on first 2 years; ₱198M on maturity date
D	December 20, 2017	₱1M each on first 3 years; ₱197M on maturity date
E	December 20, 2018	₱1M each on first 4 years; ₱196M on maturity date
F	December 20, 2019	₱1M each on first 5 years; ₱195M on maturity date
G	December 20, 2020	₱1M each on first 6 years; ₱194M on maturity date
H	December 20, 2021	₱1M each on first 7 years; ₱193M on maturity date
I	December 20, 2022	₱1M each on first 8 years; ₱192M on maturity date
J	December 20, 2023	₱1M each on first 9 years; ₱191M on maturity date

Unamortized deferred financing cost reduced the carrying amount of the loan by ₱5.3 million and ₱7.1 million as of December 31, 2015 and 2014, respectively.

DLP

On December 20, 2013, DLP availed of ₱1.5 billion from the NFA it signed on December 17, 2013 with LBP. The unsecured notes were issued in ten tranches of ₱150.0 million with interest payable semi-annually at fixed rates ranging from 3.50% - 4.81% p.a. and principal amortized as follows:

Tranche	Maturity Date	Principal Repayment Amount
A, B	December 20, 2014 and 2015	₱150M balloon payment on maturity date
C	December 20, 2016	₱0.75M each on first 2 years; ₱148.5M on maturity date
D	December 20, 2017	₱0.75M each on first 3 years; ₱147.8M on maturity date
E	December 20, 2018	₱0.75M each on first 4 years; ₱147M on maturity date
F	December 20, 2019	₱0.75M each on first 5 years; ₱146.2M on maturity date
G	December 20, 2020	₱0.75M each on first 6 years; ₱145.5M on maturity date
H	December 20, 2021	₱0.75M each on first 7 years; ₱144.8M on maturity date
I	December 20, 2022	₱0.75M each on first 8 years; ₱144M on maturity date
J	December 20, 2023	₱0.75M each on first 9 years; ₱143.2M on maturity date

VECO and DLP may early redeem in whole or in part the relevant outstanding notes on any interest payment date without premium or penalty. If prepayment is made on a different date, a certain fee shall be charged on the principal to be prepaid.

LHC

On April 24, 2012, LHC entered into an omnibus agreement with Philippine National Bank and Banco De Oro to borrow a 10-year loan amounting to US$43.1 million with maturity on April 26, 2022 and payable in 20 semi-annual installments. Interest is repriced and paid semi-annually. Annual interest rate ranges from 2.38% to 2.56% in 2015 and 2.38% in 2014.

Intangible asset arising from service concession arrangement with carrying value of ₱2.4 billion and ₱2.5 billion as of December 31, 2015 and 2014, respectively was used as collateral to secure LHC's long-term debts (see Note 14).

Unamortized deferred financing cost reduced the carrying amount of long-term debt by ₱6.9 million and ₱8.9 million as of December 31, 2015 and 2014, respectively.

PILMICO

2015 Fixed Rate Corporate Note

PILMICO availed ₱1.0 billion and ₱500 million loans from the NFA it signed on May 5, 2015, with Land Bank of the Philippines as the Note Holder on May 11, 2015 and July 13, 2015, respectively. As provided for in the NFA, the 12-year corporate notes are issued as an exempt security pursuant to Section 9.2 of RA No. 8799 and Rule 9.2(2)(B) of the amended implementing rules of the Securities Regulation Code (SRC).

2012 Fixed Rate Corporate Notes

On October 4, 2012, PILMICO availed ₱1.4 billion loan from the NFA it signed on September 25, 2012, with LBP as the Note Holder. The NFA provided for the issuance of 5-year corporate notes in a private placement to not more than 19 institutional investors pursuant to Section 9.2 of the SRC and Rule 9.2(2) of the SRC Rules.

PILMICO may early redeem in whole or in part the relevant outstanding notes on any interest payment date without premium or penalty. If prepayment is made on a different date, a certain fee shall be charged on the principal to be prepaid.

PANC

2014 Fixed Rate Corporate Notes- ₱2.0 billion

On September 22, 2014, PANC availed of a total of ₱2.0 billion loan from NFA signed on September 17, 2014 with LBP as Note Holder.

The notes are redeemable on a lump sum basis on the respective maturity dates at its face value. PANC may early redeem in whole or in part the relevant outstanding notes on any interest payment date without premium or penalty. If prepayment is made on a different date, a certain fee shall be charged on the principal to be prepaid.

2011 Fixed Rate Corporate Notes

On April 7, 2011, PANC availed of a total of ₱600.0 million loan from the NFA it signed on April 5, 2011, with Australia and New Zealand Banking Group Limited as Issue Manager, Security Bank Corporation - Trust Division as Notes Facility Agent and with the Initial Note Holders.

The notes are redeemable on a lump sum basis on the respective maturity dates at its face value. PANC may redeem in whole the relevant outstanding notes on the 6th interest payment date based on the agreed breakage cost.

Unamortized transaction cost amounted to ₱21.1 million and ₱8.0 million as of December 31, 2015 and 2014, respectively.

ASEAGAS

Within the period June 2014 to September 2015, Aseagas availed of ₱2.0 billion loan from the Notes Facility and Security Agreement (NFSA) it signed on June 5, 2014 with Development Bank of the Philippines. The NFSA provided for the issuance of 12-year corporate notes subject to a fixed interest rate ranging from 4.66% to 5.06% for the first seven years and to be repriced and fixed for the remaining five years. Principal repayments are due every six months.

The loan is secured with assigned receivables which Aseagas is obliged to deliver to the bank within six months from the start of its commercial operations or on agreed dates.

Unamortized deferred financing costs on this debt amount to ₱9.2 million and ₱5.9 million as of December 31, 2015 and 2014, respectively.

ABOITIZLAND

2010 Fixed Rate Corporate Notes

On September 2, 2010, AboitizLand availed of a total of ₱1.0 billion from the NFA it signed on August 27, 2010, with Security Bank Corporation (SBC), China Banking Corporation (CBC) and SBC - Trust Division. The 7-year unsecured notes were issued in five tranches of ₱200 million with interest payable quarterly at fixed rates ranging from 7.21% - 7.68% for the first five years and to be repriced and fixed on the sixth and seventh year. Principal shall be amortized as follows:

Tranche	Maturity Date	Principal Repayment Amount
A, B, C	September 2, 2013, 2014, 2015	₱200M balloon payment on maturity date
D	September 2, 2016	₱2M on each of first 5 years; ₱190M on maturity date
E	September 2, 2017	₱2M on each of first 6 years; ₱188M on maturity date

Prior to maturity date, AboitizLand may redeem in whole the relevant outstanding notes in accordance with the provisions set under the NFA.

Unamortized deferred financing cost reduced the carrying amount of long-term debt by nil and ₱2.3 million as of December 31, 2015 and 2014, respectively.

The loan has been fully prepaid as of December 31, 2015.

Loans Payable

The SBC peso loan is a ten-year loan availed on December 21, 2007. It is subject to 28 quarterly principal amortizations of ₱7.5 million starting at the end of the 13th quarter from initial drawdown date, with the balance of ₱90.0 million payable in full at the end of the 10th year. Interest is payable quarterly at fixed rates ranging from 4.67% to 6.89%.

The SBC dollar loan is a ten-year loan payable in 28 quarterly principal amortizations of US$122 thousand starting at the end of the 13th quarter from initial drawdown date, with the balance of US$1.5 million due in full at the end of the 10th year. Initial drawdown was made on February 2, 2008. Interest is payable and repriced quarterly based on the prevailing 90-day LIBOR plus 1%.

The SBC peso and dollar loans are secured by various lease contract receivables.

HI

On August 6, 2013, HI availed of a ten-year ₱900 million loan from a local bank. This loan is subject to a semi-annual principal payment with interest fixed at 5.25% p.a. for the first 5 years. For the remaining five years, interest rate will be repriced and fixed on the fifth anniversary from the drawdown date. The debt is secured by a pledge of HI's shares of stock held by ARI.

Unamortized deferred financing cost reduced the carrying value of long-term debt by ₱4.3 million and ₱5.4 million as of December 31, 2015 and 2014, respectively.

Hedcor Bukidnon

On September 22, 2015, Hedcor Bukidnon entered into an omnibus agreement with local banks for a project loan facility with an aggregate principal amount of up to ₱10.00 billion. As of December 31, 2015, ₱3.22 billion has been drawn from the loan facility based on the agreed schedule.

The first principal repayment of this 15-year loan will take place 42 months after the financial close, or six months after project completion. Principal repayments shall be made in equal semi-annual installments starting March 2019, with a balloon payment not to exceed 30% of the loan amount.

Interest rate on the loan is computed at the time of each drawdown based on the term stipulated in the loan agreement.

The loan is secured by an assignment of trade receivables, a pledge of all issued share capital of Hedcor Bukidnon, and corporate suretyship from AP to guarantee the debt service until (a) project completion and (b) receipt of Feed-In-Tariff payments or contracting power supply agreements equivalent to at least the break-even capacity.

Unamortized deferred financing cost reduced the carrying amount of long-term debt by ₱106.5 million as of December 31, 2015.

CPDC

On October 7, 2013, CPDC availed of ₱600.0 million loan from the NFA it signed on October 3, 2013 with Metrobank and Trust Company (MBTC). The loan is covered by ten fixed-rate promissory notes of ₱60 million each with interest payable semi-annually at rates ranging from 4.12% - 5.11%. It is payable in annual installments of ₱60.0 million starting October 7, 2014 until October 7, 2023.

Prior to maturity date, CPDC may redeem in whole or in part the relevant outstanding notes on the 6th interest payment date, subject to a 1% pretermination fee.

SEZ

On July 7, 2011, SEZ issued ₱565.0 million worth of fixed-rate notes to MBTC. Interest on the notes is subject to quarterly payment at annual fixed interest rates ranging from 5.61% - 6.06%. Principal is payable annually over 10 years at an equal amortization of ₱56.5 million.

CLP

On December 20, 2013, CLP availed of ₱300.0 million notes from the NFA it signed on December 17, 2013 with LBP. The unsecured notes were issued in ten tranches of ₱30 million with interest payable semi-annually at annual fixed rates ranging from 3.50% - 4.81% and principal amortized as follows:

Tranche	Maturity Date	Principal Repayment Amount
A, B	December 20, 2014 and 2015	₱30M balloon payment on maturity date
C	December 20, 2016	₱0.15M each on first 2 years; ₱29.7M on maturity date
D	December 20, 2017	₱0.15M each on first 3 years; ₱29.6M on maturity date
E	December 20, 2018	₱0.15M each on first 4 years; ₱29.4M on maturity date
F	December 20, 2019	₱0.15M each on first 5 years; ₱29.2M on maturity date
G	December 20, 2020	₱0.15M each on first 6 years; ₱29.1M on maturity date
H	December 20, 2021	₱0.15M each on first 7 years; ₱29M on maturity date
I	December 20, 2022	₱0.15M each on first 8 years; ₱28.8M on maturity date
J	December 20, 2023	₱0.175M each on first 9 years; ₱28.62M on maturity date

Prior to maturity date, CLP may redeem in whole or in part the relevant outstanding notes on any interest payment date without premium or penalty. If it redeems the notes on a date other than an interest payment date, then a certain percentage of prepayment penalty on the principal amount to be prepaid shall be imposed.

Long-term debt of Joint Operation (see Note 9)

This pertains to TPI's share of the outstanding project debt of its joint operation.

In May 2014, PEC entered into an Omnibus Agreement with various local banks for a loan facility in the aggregate principal amount of up to ₱33.31 billion with maturity period of 15 years. The loan is subject to a semi-annual interest payment at fixed rates ranging from 4.70% - 6.68%.

The loans may be voluntarily prepaid in full or in part commencing on and from the third year of the date of initial drawdown with a prepayment penalty.

The loans are secured by a mortgage of all its assets with carrying amount of ₱21.40 billion and ₱8.04 billion as of December 31, 2015 and 2014, respectively, and a pledge of the shares of stock held by the joint operators.

Unamortized deferred financing cost reduced the carrying value of long-term debt by ₱324.7 million and ₱331.2 million as of December 31, 2015 and 2014, respectively.

The loan agreements on long-term debts of the Group provide for certain restrictions with respect to, among others, mergers or consolidations or other material changes in their ownership, corporate set-up or management, investment and guaranties, incurrence of additional debt, disposition of mortgage of assets, payment of dividends, and maintenance of financial ratios at certain levels.

These restrictions and requirements were complied with by the Group as of December 31, 2015 and 2014.

20. Customers' Deposits

	2015	2014
Transformers	**₱2,500,344**	₱2,195,913
Bill and load	**2,337,976**	2,080,790
Lines and poles	**1,607,907**	1,471,673
Others	**135,232**	194,929
	₱6,581,459	₱5,943,305

Transformers and lines and poles deposits are obtained from certain customers principally as cash bond for their proper maintenance and care of the said facilities while under their exclusive use and responsibility. These deposits are noninterest-bearing and are refundable only after their related contract is terminated and the assets are returned to the Group in their proper condition and all obligations and every account of the customer due to the Group shall have been paid.

Bill deposit serves to guarantee payment of bills by a customer which is estimated to equal one month's consumption or bill of the customer.

Both the Magna Carta and Distribution Services and Open Access Rules (DSOAR) also provide that residential and non-residential customers, respectively, must pay a bill deposit to guarantee payment of bills equivalent to their estimated monthly billing. The amount of deposit shall be adjusted after one year to approximate the actual average monthly bills. A customer who has paid his electric bills on or before due date for three consecutive years, may apply for the full refund of the bill deposit, together with the accrued interests, prior to the termination of his service; otherwise, bill deposits and accrued interests shall be refunded within one month from termination of service, provided all bills have been paid.

In cases where the customer has previously received the refund of his bill deposit pursuant to Article 7 of the Magna Carta, and later defaults in the payment of his monthly bills, the customer shall be required to post another bill deposit with the distribution utility and lose his right to avail of the right to refund his bill deposit in the future until termination of service. Failure to pay the required bill deposit shall be a ground for disconnection of electric service.

Interest expense on customers' deposits amounted to ₱4.2 million in 2014, ₱8.5 million in 2014, and ₱1.4 million in 2013 (see Note 35).

The Group classified customers' deposits under noncurrent liabilities due to the expected long-term nature of these accounts.

Other customer deposits pertain mainly to deposits from real estate buyers.

21. Asset Retirement Obligation

Asset retirement obligation includes the estimated costs to decommission, abandon and perform surface rehabilitation on a subsidiary's steam field assets at the end of their useful lives (see Note 13).

	2015	2014
Balances at beginning of year	**₱2,353,250**	₱2,008,669
Provision during the year	**560,754**	220,691
Accretion of decommissioning liability	**102,524**	123,890
Balances at end of year	**₱3,016,528**	₱2,353,250

These technical estimates of probable costs were discounted using applicable PDST-R2 and PDST-F rates in 2015 and 2014, respectively.

The actual dismantling and removal cost could vary substantially from the above estimate because of new regulatory requirements, changes in technology, increased cost of labor, materials, and equipment or actual time required to complete all dismantling and removal activities. Adjustment, if any, to the estimated amount will be recognized prospectively as they become known and reliably estimable.

22. Finance Lease

TLI

TLI was appointed by PSALM as Administrator under the IPP Administration Agreement, giving TLI the right to receive, manage and control the capacity of the power plant for its own account and at its own cost and risk; and the right to receive the transfer of the power plant at the end of the IPP Administration Agreement for no consideration.

In view of the nature of the IPP Administration Agreement, the arrangement has been accounted for as a finance lease. Accordingly, TLI recognized the capitalized asset and related liability of ₱44.8 billion (equivalent to the present value of the minimum lease payments using TLI's incremental borrowing rates of 10% and 12% for dollar and peso payments, respectively) in the financial statement as "Power plant" and "Finance lease obligation" accounts, respectively (see Notes 3 and 13). The discount determined at inception of the agreement is amortized over the period of the IPP Administration Agreement and is recognized as interest expense in the consolidated statement of income. Interest expense in 2015, 2014 and 2013 amounted to ₱5.29 billion, ₱5.29 billion and ₱4.80 billion, respectively (see Note 35).

Future minimum monthly dollar and peso payments under the IPP Administration Agreement and their present values as of December 31, 2015 and 2014 are as follows:

December 31, 2015

	US dollar payments	Philippine peso equivalent of dollar payments[1]	Philippine peso payments	Total
Within one year	**$82,500**	**₱3,882,450**	**₱3,960,000**	**₱7,842,450**
After one year but not more than five years	**468,000**	**22,024,080**	**22,464,000**	**44,488,080**
More than five years	**380,000**	**17,882,800**	**18,240,000**	**36,122,800**
Total contractual payments	**930,500**	**43,789,330**	**44,664,000**	**88,453,330**
Unamortized discount	**342,392**	**16,112,978**	**18,671,498**	**34,784,476**
Present value	**588,108**	**27,676,352**	**25,992,502**	**53,668,854**
Less current portion				**2,583,754**
Noncurrent portion of finance lease obligation				**₱51,085,100**

December 31, 2014

	US dollar payments	Philippine peso equivalent of dollar payments[2]	Philippine peso payments	Total
Within one year	$79,310	₱3,546,743	₱3,806,880	₱7,353,623
After one year but not more than five years	450,000	20,124,000	21,600,000	41,724,000
More than five years	488,000	21,823,360	23,424,000	45,247,360
Total contractual payments	1,017,310	45,494,103	48,830,880	94,324,983
Unamortized discount	402,675	18,007,618	21,856,344	39,863,962
Present value	614,635	27,486,485	26,974,536	54,461,021
Less current portion				1,971,739
Noncurrent portion of finance lease obligation				₱52,489,282

[1]USD1= ₱47.060

[2]USD1= ₱44.720

23. Capital Stock

Information on the Company's authorized capital stock follows:

	Number of Shares
Authorized capital stock:	
Common shares, ₱1 par value	9,600,000,000
Preferred shares, ₱1 par value	400,000,000

Outstanding capital stock are as follows:

	Number of Shares	
	2015	2014
Common shares issued	**5,694,599,621**	5,694,599,621
Less treasury shares	**140,332,814**	156,018,314
Balance at end of year	**5,554,266,807**	5,538,581,307

On November 16, 1994, the Company listed with the Philippine Securities Exchange (PSE) its 3,650,385,204 common shares with a par value of ₱1.00 per share to cover the initial public offering (IPO) of 821,486,204 common shares at an offer price of ₱5.70 per share. Gross proceeds from this issuance of new shares amounted to ₱4.6 billion. Transaction costs incidental to the IPO totaling ₱528.0 million were charged against "Additional paid-in capital" in the consolidated balance sheet.

On May 23, 1995 and August 30, 1996, the Company distributed 20% stock dividend equivalent to 730.08 million shares and 30% stock dividend equivalent to 1.31 billion shares, respectively. Both stock dividends were issued at ₱1.00 per share. At the end of 1996, common shares issued totaled 5.69 billion.

The preferred shares are non-voting, non-participating, non-convertible, cumulative re-issuable and redeemable and may be issued from time to time by the BOD in one or more series and fixed before issuance thereof, the number of shares in each series, and all designations, relative rights, preferences and limitations of the shares in each series. Preferred shares that are redeemed by the Company may be re-issued.

There were no preferred shares issued as of December 31, 2015 and 2014.

As of December 31, 2015, 2014 and 2013, the Company has 9,328, 9,494 and 9,632 shareholders, respectively.

Treasury Shares

As of December 31, 2015 and 2014, AEV shares bought into treasury totaled 140.3 million and 156.0 million with corresponding acquisition costs of ₱1.1 billion and ₱1.2 billion, respectively. In 2015, 15.7 million shares costing ₱112.8 million were re-issued for ₱885.3 million.

24. Retained Earnings

On March 10, 2015, the BOD approved the declaration of a regular cash dividend of ₱1.11 per share (₱6.15 billion) to all stockholders of record as of March 24, 2015. These dividends were paid on April 20, 2015.

On March 11, 2014, the BOD approved the declaration of a regular cash dividend of ₱1.27 a share (₱7.01 billion) and a special cash dividend of ₱0.53 a share (₱2.93 billion) to all stockholders of record as of March 25, 2014. These dividends were paid on April 22, 2014.

On March 5, 2013, the BOD approved the declaration of a regular cash dividend of ₱1.44 a share (₱8.0 billion) and a special cash dividend of ₱0.56 a share (₱3.1 billion) to all stockholders of record as of March 19, 2013. These dividends were paid on April 15, 2013.

As mentioned in Note 19, the Company shall not permit its DE ratio to exceed 3:1 calculated based on the Company's year-end debt and consolidated equity.

The balance of retained earnings includes the accumulated equity in net earnings of subsidiaries, associates and joint arrangements amounting to ₱83.9 billion and ₱76.9 billion as at December 31, 2015 and 2014, respectively. Such amounts are not available for distribution until such time that the Company receives the dividends from the respective subsidiaries, associates and joint arrangements (see Note 10).

25. **Revenues**

a. Sale from Distribution of Power

The Uniform Rate Filing Requirements (UFR) on the rate unbundling released by the ERC on October 30, 2001 specified that the billing for sale and distribution of power and electricity will have the following components: Generation Charge, Transmission Charge, System Loss Charge, Distribution Charge, Supply Charge, Metering Charge, the Currency Exchange Rate Adjustment and Interclass and Lifeline Subsidies. National and local franchise taxes, the Power Act Reduction (for residential customers) and the Universal Charge are also separately indicated in the customer's billing statements.

Pursuant to Section 43(f) of Republic Act (R.A.) No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA), and Rule 15, section 5(a) of its Implementing Rules and Regulations (IRR), the ERC promulgated the Distribution Wheeling Rates Guidelines on December 10, 2004. These were subsequently updated and released on July 26, 2006 as the Rules for Setting Distribution Wheeling Rates (RDWR) for Privately Owned Utilities entering Performance Based Regulation (PBR).

Details of the PBR regulatory period and the date of implementation of the approved rates are as follows:

	CLP	DLP	VECO	SEZ
Current regulatory period	April 1, 2009 to March 31, 2013	July 1, 2010 to June 30, 2014	July 1, 2010 to June 30, 2014	October 1, 2011 to September 30, 2015
Date of implementation of approved distribution supply and metering charges	May 1, 2009	August 1, 2010	August 1, 2010	November 26, 2011

Total sale from distribution of power amounted to ₱41.4 billion, ₱40.0 billion and ₱28.1 billion in 2015, 2014 and 2013, respectively.

b. Sale from Generation of Power and Retail Electricity

Certain subsidiaries are trading participants and direct members under the generator sector of the WESM. These companies are allowed to access the WESM Market Management System through its Market Participant Interface (MPI). The MPI is the facility that allows the trading participants to submit and cancel bids and offers, and to view market results and reports. Under its price determination methodology as approved by the ERC, locational marginal price method is used in computing prices for energy bought and sold in the market on a per node, per hour basis. In the case of bilateral power supply contracts, however, the involved trading participants settle directly with their contracting parties.

Total sale of power to WESM amounted to ₱4.6 billion, ₱5.8 billion and ₱6.5 billion in 2015, 2014 and 2013, respectively.

Certain subsidiaries have negotiated contracts with NPC, Private Distribution Utilities, Electric Cooperatives and Commercial and Industrial Consumers under power purchase/supply agreement and energy supply agreement. These contracts provide a tariff that allows these companies to charge for capacity fees, fixed operating fees and energy fees.

Total sale of power under power supply agreements amounted to ₱28.8 billion in 2015, ₱31.1 billion in 2014 and ₱32.9 billion in 2013.

Certain subsidiaries have negotiated contracts with contestable customers. These contracts provide supply and delivery of electricity where capacity fees, fixed operating fees and energy fees are at fixed price/kwh or time of use.

Total sale of power under retail electricity supply agreements amounted to ₱10.2 billion, ₱9.7 billion and ₱4.4 billion in 2015, 2014 and 2013, respectively.

c. Real estate revenues consist of the following:

	2015	2014	2013
Real estate sales	**₱2,042,335**	₱2,115,442	₱1,001,408
Rental income	**385,029**	430,233	313,068
Power and electricity (see Note 9)	**–**	562,608	310,181
Service fees and others	**305,514**	159,458	135,916
	₱2,732,878	₱3,267,741	₱1,760,573

26. Purchased Power

Distribution

DLP, VECO, CLP and MEZ entered into contracts with NPC/PSALM for the purchase of electricity. The material terms of the contract are as follows:

	Term of Agreement with NPC/PSALM	Contract Energy (megawatt hours/year)
DLP	Ten years; expiring in December 2015	1,569,479
VECO	Contract extension until December 2014	898,632
CLP	Ten years; expiring in December 2015	116,906
MEZ	Ten years; expiring in September 2015	114,680

The Group's distribution utilities also entered into Transmission Service Agreements with NGCP for the transmission of electricity.

Total power purchases from the NPC/PSALM and NGCP, net of discounts, amounted to ₱9.5 billion in 2015, ₱13.2 billion in 2014 and ₱12.2 billion in 2013. The outstanding payable to the NPC/PSALM and NGCP on purchased power, presented as part of the "Trade and other payables" account in the consolidated balance sheets amounted to ₱760.3 million and ₱1.1 billion as of December 31, 2015 and 2014, respectively (see Note 18).

Generation

Purchased power takes place during periods when power generated from power plants are not sufficient to meet customers' required power as stated in the power supply contracts. Insufficient supply of generated energy results from the shutdowns due to scheduled maintenance or an emergency situation. The Group purchases power from Wholesale Electricity Spot Market (WESM) to ensure uninterrupted supply of power and meet the requirements in the power supply contracts. Total purchases from WESM amounted to ₱1.2 billion in 2015, ₱1.8 billion in 2014 and ₱5.3 billion in 2013.

The Group entered into Replacement Power Contracts with certain related parties (see Note 34). Under these contracts, the Group supplies power to counterparties when additional power is needed. Correspondingly, when faced with energy shortfalls, the Group purchases power from counterparties.

Retail Electricity Supply

AESI pays PSALM monthly generation payments using the formula specified in the IPP Administration Agreement. Total generation payments to PSALM amounted to ₱1.8 billion in 2015.

27. Costs and Expenses

Cost of generated power consists of:

	2015	2014	2013
Fuel costs	**₱13,598,737**	₱15,146,281	₱12,705,303
Steam supply costs (see Note 38)	**3,956,979**	4,935,022	4,260,552
Energy fees	**684,279**	688,059	584,810
Ancillary charges	**262,536**	240,502	55,636
Wheeling expenses	**21,528**	27,794	36,183
	₱18,524,059	₱21,037,658	₱17,642,484

Cost of goods sold consists of:

	2015	2014	2013
Raw materials used, purchases and changes in biological assets and inventories (see Notes 6 and 8)	**₱16,659,858**	₱13,772,752	₱12,408,961
Direct labor (see Note 28)	**143,320**	90,423	75,010
Manufacturing overhead			
Depreciation (see Note 13)	**352,639**	267,591	235,973
Power	**260,419**	1,804	193,290
Repairs and maintenance	**162,956**	121,590	107,242
Indirect labor (see Note 28)	**128,345**	113,308	104,135
Fuel and lubricants	**85,519**	62,789	54,356
Outside services	**68,293**	39,352	35,628
Toll milling expenses	**57,185**	15,780	–
Freight and handling	**39,878**	40,359	30,989
Taxes and licenses	**34,698**	31,155	30,105
Insurance	**26,050**	17,448	17,270
Medicines and vaccines	**24,227**	20,127	23,159
Office and general supplies	**16,634**	11,035	8,821
Pest control	**9,749**	12,200	8,343
Employees' benefits (see Notes 28 and 30)	**8,169**	7,354	7,170
Royalty fee	**7,890**	6,854	6,608
Rental	**5,707**	9,419	7,858
Others	**78,772**	19,939	24,116
	1,367,130	798,104	895,063

(Forward)

	2015	2014	2013
Cost of goods manufactured	**₱18,170,308**	₱14,661,279	₱13,379,034
Finished goods inventory (see Note 6)			
Beginning of year	**148,457**	209,968	131,333
End of year	**(307,657)**	(148,487)	(209,968)
	₱18,011,108	₱14,722,760	₱13,300,399

Operating expenses consist of:

	2015	2014	2013
Depreciation and amortization (see Notes 13, 15 and 16)	**₱4,528,558**	₱4,852,625	₱4,067,438
Personnel (see Notes 28 and 30)	**4,467,203**	3,231,198	3,034,905
Outside services (Note 38)	**1,703,314**	1,264,148	674,271
Taxes and licenses	**1,196,605**	996,557	507,052
Insurance	**763,939**	750,562	596,495
Repairs and maintenance	**744,056**	767,591	654,867
Freight and handling	**633,102**	584,233	439,858
Provision for impairment of trade receivables (see Note 5)	**526,055**	595,127	37,494
Fuel and lubricants	**427,829**	256,348	75,076
Transportation and travel	**382,333**	365,671	357,116
Advertising	**320,348**	248,978	229,955
Management and professional fees (see Note 34)	**308,654**	520,034	510,084
Rent (see Note 36)	**293,705**	202,357	202,671
Commissions	**145,553**	71,597	32,815
Utilities	**102,330**	47,425	53,866
Training and development	**98,866**	80,451	99,937
Others	**1,329,589**	2,549,018	1,270,566
	₱17,972,039	₱17,383,920	₱12,844,466

Other operating expenses consist of miscellaneous items, the most significant of which are materials and supplies.

Overhead expenses consist of:

	2015	2014	2013
Depreciation and amortization (see Notes 13, 15 and 16)	**₱42,796**	₱40,681	₱2,614
Personnel (see Notes 28 and 30)	**30,138**	26,944	37,074
Repairs and maintenance	**12,258**	11,191	–
Fuel	**9,805**	14,240	–
Insurance	**4,628**	5,663	–
Rent	**1,709**	2,014	204
Outside services	**–**	–	1,484
Others	**2,198**	8,056	30,379
	₱103,532	₱108,789	₱71,755

Other overhead expenses include training costs for aircraft personnel.

Sources of depreciation and amortization are as follows:

	2015	2014	2013
Property, plant and equipment (see Note 13)	**₱4,465,223**	₱4,701,973	₱3,934,143
Intangible asset - service concession rights (see Note 15)	**338,031**	318,175	311,246
Bearer biological assets (see Notes 8 and 16)	**43,200**	41,037	35,041
Other intangible assets (see Note 16)	**109,854**	99,712	59,253
	₱4,956,308	₱5,160,897	₱4,339,683

28. Personnel Expenses

	2015	2014	2013
Salaries and wages	**₱3,491,083**	₱2,802,440	₱2,517,838
Employee benefits (see Note 30)	**177,820**	828,864	655,852
	₱3,668,903	₱3,631,304	₱3,173,690

29. Other Income - net

	2015	2014	2013
Net unrealized fair valuation gains (see Note 36)	**₱186,512**	₱15,000	₱21,278
Change in fair value of biological assets (see Note 8)	**425,720**	609,456	341,980
Surcharges	**342,871**	348,970	231,050
Non-utility operating income	**114,108**	179,478	157,157
Rental income (see Note 34)	**29,155**	33,676	857
Dividend income	**1,810**	89	338
Gain on redemption of shares (see Note 10)	**–**	4,904	4,792
Gain on remeasurement in step-acquisition (see Note 9)	**–**	–	964,600
Gain (loss) on sale of:			
Property, plant and equipment	**(71,402)**	15,958	47,291
Stock investments (see Notes 9 and 10)	**–**	636,044	1,294,659
AFS investments	**–**	(23)	–
Foreign exchange losses - net (see Note 35)	**(959,461)**	(199,324)	(1,986,177)
Others - net	**154,697**	262,302	(536,322)
	₱224,010	₱1,906,530	₱541,503

Included in “Net Foreign exchange gains (losses)” are the net gains and losses relating to currency forward transactions (see Note 35). “Others” comprise non-recurring items like sale of scrap and sludge oil, provision on impairment of assets and reversal of provisions.

30. Defined Retirement Benefit Plans

Under the existing regulatory framework, Republic Act 7641, otherwise known as *The Retirement Pay Law*, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity. It further states that the employees' retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The Company and its subsidiaries have funded, noncontributory, defined retirement benefit plans ("Plan") covering all regular and full-time employees and requiring contributions to be made to separately administered funds. The retirement benefit fund ("Fund") of each subsidiary is in the form of a trust being maintained and managed by AEV, under the supervision of the Board of Trustees (BOT) of the Plan. The BOT, whose members are also corporate officers, is responsible for the investment of the Fund assets. Taking into account the Plan's objectives, benefit obligations and risk capacity, the BOT periodically defines the investment strategy in the form of a long-term target structure.

The following tables summarize the components of net benefit expense recognized in the consolidated statements of income and the funded status and amounts recognized in the consolidated balance sheets for the respective plans.

Net benefit expense (recognized as part of personnel costs under operations)

	2015	2014	2013
Retirement expense recognized in the consolidated statements of income:			
Service cost	**₱357,728**	₱283,973	₱212,849
Net interest cost	**(1,076)**	(15)	(31,440)
	₱356,652	₱283,958	₱181,409

	2015	2014	2013
Remeasurement gains (losses) recognized in the statements of comprehensive income:			
Actuarial gains (losses) on defined benefit plan	**₱34,364**	₱220,806	(₱500,797)
Return on assets excluding amount included in net interest cost	**(160,325)**	(5,016)	29,698
	(₱125,961)	₱215,790	(₱471,099)

Net pension liabilities

	2015	2014
Present value of obligation	**₱2,916,534**	₱2,511,539
Fair value of plan assets	**(2,267,709)**	(2,095,327)
Pension liability	**₱648,825**	₱416,212

Changes in the present value of the defined benefit obligation are as follows:

	2015	2014
At January 1	**₱2,511,539**	₱2,683,315
Net benefit costs in the consolidated statements of income		
Current service costs	**364,804**	242,981
Interest cost	**104,313**	91,494
Past service costs	**(7,076)**	40,992
Benefits paid	**(115,383)**	(100,972)
Transfers	**(35,082)**	5,524
Remeasurements in other comprehensive income:		
Actuarial loss (gain) due to experience adjustments	**377,622**	(227,188)
Actuarial loss (gain) due to changes in financial assumptions	**(411,986)**	6,382
	(34,364)	(220,806)
Acquisition (disposal) of subsidiaries (see Note 9)	**127,783**	(230,989)
At December 31	**₱2,916,534**	₱2,511,539

Changes in the fair value of plan assets are as follows:

	2015	2014
At January 1	**₱2,095,327**	₱2,078,671
Actual contributions	**228,451**	188,638
Acquisition (disposal) of subsidiaries (see Note 9)	**124,503**	(163,027)
Interest income included in net interest cost	**105,389**	91,509
Actual return excluding amount included in net interest cost	**(160,325)**	(5,016)
Transfers	**(25,477)**	5,524
Benefits paid	**(100,159)**	(100,972)
At December 31	**₱2,267,709**	₱2,095,327

Changes in net pension liability recognized in the consolidated balance sheets are as follows:

	2015	2014
At January 1	**₱416,212**	₱604,644
Contribution to retirement fund	**(228,451)**	(188,638)
Retirement expense for the year	**356,652**	283,958
Actuarial loss (gain) recognized for the year	**125,961**	(215,790)
Transfers	**(9,605)**	–
Benefits paid from Group operating funds	**(15,224)**	–
Acquisition (disposal) of subsidiaries	**3,280**	(67,962)
At December 31	**₱648,825**	₱416,212

The fair value of plan assets by each class as at the end of the reporting period are as follows:

	2015	2014
Cash and fixed-income investments	**₱1,617,549**	₱1,114,199
Equity instruments		
Financial institution	**172,687**	551,253
Power	**117,423**	128,902
Holding	**107,832**	35,687
Others	**120,923**	133,610
Government and other debt securities	**131,295**	131,676
Fair value of plan assets	**₱2,267,709**	₱2,095,327

All equity and debt instruments held have quoted prices in active market. The remaining plan assets do not have quoted market prices in active market.

The plan assets have diverse investments and do not have any concentration risk.

The principal assumptions used as of December 31, 2015, 2014 and 2013 in determining pension benefit obligations for the Group's plans are shown below:

	2015	2014	2013
Discount rate	**4.91% - 5.72%**	4.2% - 7.02%	4.1% - 5.73%
Salary increase rate	**6%**	7%	7%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of December 31, 2015 and 2014, assuming if all other assumptions were held constant:

December 31, 2015

	Increase (decrease) in basis points	**Effect on defined benefit obligation**
Discount rates	**100**	**(₱161,609)**
	(100)	**204,466**
Future salary increases	**100**	**196,544**
	(100)	**(111,333**

December 31, 2014

	Increase (decrease) in basis points	Effect on defined benefit obligation
Discount rates	100	(₱336,684)
	(100)	430,320
Future salary increases	100	413,626
	(100)	(326,673)

The defined retirement benefit plans are funded by the Company and its subsidiaries. The Group expects to contribute approximately ₱661.1 million to the retirement benefit funds in 2016.

The average durations of the defined benefit obligation as of December 31, 2015 and 2014 are 11.84 - 29.23 years and 15.87 - 23.84 years, respectively.

The Board of Trustees reviews the performance of the plans on a regular basis. It assesses whether the retirement plans will achieve investment returns which, together with contributions, will be sufficient to pay retirement benefits as they fall due. The Group also reviews the solvency position of the different member companies on an annual basis and estimates, through the actuary, the expected contribution to the Plan in the subsequent year.

31. Income Taxes

The provision for (benefit from) income tax consists of:

	2015	**2014**	2013
Current			
Corporate income tax	**₱4,630,846**	**₱3,489,165**	₱1,698,799
Final tax	**188,998**	**95,709**	86,108
	4,819,844	**3,584,874**	1,784,907
Deferred	**(495,025)**	**441,452**	(898,355)
	₱4,324,819	**₱4,026,326**	₱886,552

A reconciliation of the statutory income tax rate with the Group's effective income tax rates follows:

	2015	2014	2013
Statutory income tax rate	**30.00%**	30.00%	30.00%
Tax effects of:			
Tax-deductible lease payments	**(8.87)**	(7.58)	(7.44)
Nontaxable equity in net earnings of associates and joint ventures	**(7.19)**	(7.88)	(11.73)
Income subject to ITH	**(6.48)**	(7.04)	(14.80)
Non-deductible interest expense	**6.70**	6.68	6.70

(Forward)

	2015	2014	2013
Non-deductible depreciation expense	**1.19%**	1.19%	1.21%
Non-deductible impairment provisions	**1.04**	0.04	(0.03)
Interest income subjected to final tax at lower rates - net	**(0.98)**	(0.21)	(0.45)
Gain on sale of investments already subjected to final tax	**–**	(0.69)	(1.43)
Others	**0.33**	0.08	1.24
	15.74%	14.59%	3.27%

Net deferred income tax assets at December 31 relate to the following:

	2015	2014
Deferred income tax assets:		
Tax effects of items in other comprehensive income	**₱204,279**	₱10,705
Allowances for impairment and probable losses	**288,145**	99,287
Unamortized contributions for past service	**72,496**	42,100
Unrealized foreign exchange loss	**63,603**	393
MCIT	**15,698**	40,399
Accrued retirement benefits	**4,247**	34,397
NOLCO	**2,913**	39,371
Unrealized loss on investment property	**–**	33,531
Others	**137,334**	177,894
	788,715	478,077
Deferred income tax liabilities:		
Pension asset	**47,334**	55,309
Consumable biological assets	**34,984**	42,066
Unrealized foreign exchange gain	**506**	17
Others	**6,342**	30,680
	89,166	128,072
	₱699,549	₱350,005

Net deferred income tax liabilities at December 31 relate to the following:

	2015	2014
Deferred income tax liabilities:		
Unamortized franchise	**₱997,395**	₱886,972
Unrealized gain on investment property	**487,664**	622,445
Percentage-of-completion recognition of real estate sales and related costs	**108,660**	92,808
Unrealized foreign exchange gains	**105,693**	362,402
Capitalized interest expense	**–**	39,753
Unamortized customs duties and taxes capitalized	**47,932**	6,822
Others	**100,208**	49,770
	1,847,552	2,060,972
Deferred income tax assets:		
Tax effects of items in other comprehensive income	**12,671**	14,176
NOLCO	**103,670**	26,145
Allowances for:		
Impairment and probable losses	**43,522**	166,248
Inventory obsolescence	**2,262**	–
Unamortized past service cost	**19,175**	45,279
MCIT	**17,618**	16,707
Unrealized foreign exchange losses	**6,573**	3,267
Others	**34,155**	29,011
	239,646	300,833
	₱1,607,906	₱1,760,139

In computing for deferred income tax assets and liabilities, the tax rates used were 30% and 10%, which are the rates expected to apply to taxable income in the years in which the deferred income tax assets and liabilities are expected to be recovered or settled and considering the tax rate for renewable energy developers as allowed by the Renewable Energy Act of 2008.

The Company did not recognize its deferred income tax asset from MCIT amounting to ₱13.9 million and nil as of December 31, 2015 and 2014, respectively, and from NOLCO amounting to ₱1.3 billion and ₱687.0 million as of December 31, 2015 and 2014, respectively. Likewise, AP did not recognize its deferred income tax assets from MCIT amounting to ₱26.3 million and ₱23.6 million as of December 31, 2015 and 2014, respectively, and from NOLCO amounting to ₱436.9 million and ₱895.3 million as of December 31, 2015 and 2014, respectively.

Management of both entities expect that no sufficient taxable income will be generated in the future to allow all of the corresponding deferred income tax assets to be utilized.

There are no income tax consequences to the Group attaching to the payment of dividends to its shareholders.

32. Earnings per Common Share

Earnings per common share amounts were computed as follows:

		2015	2014	2013
a.	Net income attributable to equity holders of the parent	**₱17,679,116**	₱18,380,620	₱21,027,470
b.	Weighted average number of common shares issued and outstanding	**5,551,617**	5,530,226	5,521,872
c.	Earnings per common share (a/b)	**₱3.184**	₱3.324	₱3.808

There are no dilutive potential common shares as of December 31, 2015, 2014 and 2013.

33. Operating Segment Information

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

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

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

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

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

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

Segment assets do not include deferred income tax assets, pension asset and other noncurrent assets. Segment liabilities do not include deferred income tax liabilities, income tax payable and pension liability. Capital expenditures consist of additions of property, plant and equipment and intangible asset - service concession rights. Adjustments as shown below include items not presented as part of segment assets and liabilities.

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Group, and that the revenue can be reliably measured. Sale of power to Manila Electric Company accounted for 38%, 36% and 31% of the power generation revenues of the Group in 2015, 2014, and 2013, respectively. There is no concentration of significant customers on any of the segments.

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

	2015							
	Power	Financial Services	Food Manufacturing	Real Estate	Infrastructure	Parent Company and Others	Eliminations	Consolidated
REVENUES								
Third parties	₱85,072,152	₱306,677	₱22,768,473	₱2,732,878	₱–	₱379,788	₱–	₱111,259,968
Inter-segment	101,800	–	–	–	–	969,954	(1,071,754)	–
Total revenue	₱85,173,952	₱306,677	₱22,768,473	₱2,732,878	₱–	₱1,349,742	(₱1,071,754)	₱111,259,968
RESULTS								
Segment results	₱24,686,577	(₱27,183)	₱2,104,899	₱484,682	(₱2,360)	(₱42,746)	₱214,531	₱27,418,400
Unallocated corporate income (expenses)	(336,639)	53,871	501,230	106,642	–	113,437	(214,531)	224,010
INCOME FROM OPERATIONS								27,642,410
Interest expense	(6,633,858)	(6,090)	(248,779)	(49,899)	–	(942,940)	–	(7,881,566)
Interest income	846,293	1,132	45,487	36,562	386	202,141	–	1,132,001
Share in net earnings of associates and joint ventures	3,979,947	2,533,581	–	(1,497)	75,491	15,943,715	(15,941,785)	6,589,452
Provision for income tax	(3,589,669)	(5,736)	(685,085)	4,132	(77)	(48,384)	–	(4,324,819)
NET INCOME								₱23,157,478
OTHER INFORMATION								
Segment assets	₱70,409,021	₱1,009,831	₱8,601,197	₱6,237,888	₱70,191	₱11,383,619	(₱678,328)	₱97,033,419
Investments and advances	22,551,845	25,813,716	–	1,490,531	23,818,261	91,188,162	(91,427,454)	73,435,061
Unallocated corporate assets	149,528,380	179,504	5,811,722	6,955,600	14,188	6,637,345	522,642	169,649,383
Consolidated total assets								₱340,117,863
Segment liabilities	₱138,399,444	₱180,213	₱10,311,032	₱4,713,271	₱11,410	₱36,841,079	(₱643,877)	₱189,812,572
Unallocated corporate liabilities	2,476,235	188,278	189,274	475,562	–	(8,500)	–	3,320,849
Consolidated total liabilities								₱193,133,421
Capital expenditures	₱15,701,414	₱40,236	₱1,948,168	₱319,303	₱2,848	₱1,502,040	₱–	₱19,514,009
Depreciation and amortization	₱4,322,000	₱11,920	₱433,363	₱40,128	₱5	₱148,892	₱–	₱4,956,308

	2014						
	Power	Financial Services	Food Manufacturing	Real Estate	Parent Company and Others	Eliminations	Consolidated
REVENUES							
Third parties	₱86,340,289	₱–	₱18,364,704	₱3,267,741	₱1,894,556	₱–	₱109,867,290
Inter-segment	419,097	–	–	–	807,241	(1,226,338)	–
Total revenue	₱86,759,386	₱–	₱18,364,704	₱3,267,741	₱2,701,797	(₱1,226,338)	₱109,867,290
RESULTS							
Segment results	₱22,350,758	₱–	₱1,307,297	₱657,304	₱26,713	₱203,658	₱24,545,730
Unallocated corporate income (expenses)	581,927	–	607,991	20,074	900,196	(203,658)	1,906,530
INCOME FROM OPERATIONS							26,452,260
Interest expense	(5,994,097)	–	(160,814)	(45,948)	(495,586)	–	(6,696,445)
Interest income	471,915	–	17,270	22,225	79,726	–	591,136
Share in net earnings of associates and joint ventures	4,009,488	3,243,902	–	(7,992)	14,881,387	(14,882,544)	7,244,241
Provision for income tax	(3,424,089)	–	(480,960)	(77,130)	(44,147)	–	(4,026,326)
NET INCOME							₱23,564,866
OTHER INFORMATION							
Segment assets	₱56,726,089	₱–	₱7,968,619	₱6,607,461	₱7,903,047	(₱324,503)	₱78,880,713
Investments and advances	24,816,278	26,307,238	–	1,492,028	83,851,069	(84,199,303)	52,267,310
Unallocated corporate assets	135,218,653	–	3,470,332	5,745,741	5,413,896	(88)	149,848,534
Consolidated total assets							₱280,996,557
Segment liabilities	₱118,420,852	₱–	₱8,497,988	₱4,409,160	₱12,035,139	(₱298,738)	₱143,064,401
Unallocated corporate liabilities	2,259,729	–	148,637	546,087	42,739	–	2,997,192
Consolidated total liabilities							₱146,061,593
Capital expenditures							₱16,651,075
Depreciation and amortization	₱4,643,300	₱–	₱341,727	₱21,899	₱153,971	₱–	₱5,160,897

	2013						
	Power	Financial Services	Food Manufacturing	Real Estate	Parent Company and Others	Eliminations	Consolidated
REVENUES							
Third parties	₱71,990,028	₱–	₱16,431,590	₱1,760,573	₱694,103	₱–	₱90,876,294
Inter-segment	65,139	–	–	–	578,092	(643,231)	–
Total revenue	₱72,055,167	₱–	₱16,431,590	₱1,760,573	₱1,272,195	(₱643,231)	₱90,876,294
RESULTS							
Segment results	₱19,477,289	₱–	₱1,450,653	₱360,471	(₱150,879)	₱85,948	₱21,223,482
Unallocated corporate income (expenses)	(1,196,371)	–	1,104,971	10,028	708,823	(85,948)	541,503
INCOME FROM OPERATIONS							21,764,985
Interest expense	(5,343,728)	–	(162,771)	(41,386)	(200,350)	–	(5,748,235)
Interest income	413,795	–	15,330	16,627	35,709	–	481,461
Share in net earnings of associates and joint ventures	6,473,759	4,114,919	–	–	16,609,664	(16,601,765)	10,596,577
Provision for income tax	(526,625)	–	(336,229)	(12,169)	(11,529)	–	(886,552)
NET INCOME							₱26,208,236
OTHER INFORMATION							
Segment assets	₱49,030,751	₱–	₱5,836,979	₱4,862,378	₱6,421,203	(₱220,060)	₱65,931,251
Investments and advances	25,330,356	22,674,150	–	–	79,098,269	(79,196,423)	47,906,352
Unallocated corporate assets	119,587,709	–	3,311,668	7,643,936	2,707,158	–	133,250,471
Consolidated total assets							₱247,088,074
Segment liabilities	₱100,976,998	₱–	₱4,426,573	₱4,751,414	₱12,058,318	(₱194,444)	₱122,018,859
Unallocated corporate liabilities	1,711,062	–	178,325	533,845	96,512	–	2,519,744
Consolidated total liabilities							₱124,538,603
Capital expenditure							₱17,335,118
Depreciation and amortization	₱3,875,299	₱–	₱297,621	₱23,548	₱143,215	₱–	₱4,339,683

34. Related Party Disclosures

Parties are considered to be related if one party has the ability to control, directly or indirectly, the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

In the normal course of business, the Group enters into transactions with related parties, principally consisting of the following:

a. Service contracts of certain associates with AEV or AP at fees based on agreed rates. Professional and technical fees paid by these associates and joint ventures to AEV and AP totaled ₱327.9 million, ₱194.7 million and ₱183.2 million in 2015, 2014 and 2013, respectively.

b. Cash deposits and placements with UBP. At prevailing rates, the deposits and money market placements earned interest income amounting to ₱135.8 million, ₱236.7 million and ₱171.7 million in 2015, 2014 and 2013, respectively.

c. Aviation services rendered by AEV Aviation to ACO and certain associates. Total aviation service income generated from these related parties amounted to ₱11.0 million, ₱13.0 million and ₱10.5 million in 2015, 2014 and 2013, respectively.

d. Lease of commercial office units by ACO and certain associates from CPDC for a period of three years. Rental income amounted to ₱5.8 million in 2015, ₱5.4 million in 2014 and ₱3.0 million in 2013.

e. Purchase of lots for residential and commercial project development by AboitizLand from ACO in 2012. The purchase was for a total consideration of ₱595.8 million, a portion of which was paid upon execution of the Contract to Sell. The remaining balance is payable on quarterly instalments for the next 10 years. The current and noncurrent portion of the related liability amounted to ₱66.6 million and ₱300.8 million, respectively, as at December 31, 2015, and to ₱46.0 million and ₱345.9 million, respectively, as at December 31, 2014, (see Note 18).

f. Power sales to and purchases from certain associates based on the Group's power supply and purchase agreements, respectively (see Note 38).

g. Services rendered by Aboitiz Construction Group, Inc. (ACGI), a wholly owned subsidiary of ACO, to the Group for the following projects: Construction of Tudaya 1 and 2 hydroelectric power plants and TSI power plant, and rehabilitation of Tiwi and Makban power plants.

The above transactions are settled in cash.

Significant outstanding account balances with related parties as of December 31, 2014 and 2013 are as follows:

Revenue - Management, Professional and Technical Fees

	Revenue			Accounts Receivable			
	2015	2014	2013	**2015**	2014	Terms	Conditions
Parent Company							
ACO	**₱8,898**	₱–	₱–	**₱1,141**	₱–	30-day; interest-free	Unsecured; no impairment
Associates and Joint Ventures							
CEDC	**110,157**	66,935	112,000	**14,997**	14,997	30-day; interest-free	Unsecured; no impairment
RCBM (Note 10)	**85,800**	–	–	**85,800**	–	30-day; Interest-free	Unsecured; no impairment
SFELAPCO	**76,088**	90,432	61,259	**58,936**	58,959	30-day; interest-free	Unsecured; no impairment
RCMI (Note 10)	**19,450**	–	–	**19,450**	–	30-day; interest-free	Unsecured; no impairment
RCII (Note 10)	**13,650**	–	–	**13,650**	–	30-day; interest-free	Unsecured; no impairment
EAUC	**6,305**	6,668	4,926	**2,010**	1,065	30-day; interest-free	Unsecured; no impairment
MORE	**2,037**	2,420	2,455	**889**	1,822	30-day; interest-free	Unsecured; no impairment
SNAP-Benguet	**1,692**	1,641	1,348	**711**	1,328	30-day; interest-free	Unsecured; no impairment
CSB	**1,570**	–	–	**932**	–	30-day; interest-free	Unsecured; no impairment
SNAP-Magat	**1,531**	2,120	1,131	**682**	1,312	30-day; interest-free	Unsecured; no impairment
UBP	**540**	852	107	**3,498**	2,659	30-day; interest-free	Unsecured; no impairment
CSB Land, Inc.	**142**	–	7	**84**	–	30-day; interest-free	Unsecured; no impairment
SNAP-Generation	**43**	–	–	**155**	–	30-day; interest-free	Unsecured; no impairment
RP Energy	**–**	23,612	–	**8**	–	30-day; Interest-free	Unsecured; no impairment
	₱327,903	₱194,680	₱183,233	**₱202,943**	₱82,142		

Cash Deposits and Placements with UBP

	Interest Income			Outstanding Balance			
	2015	2014	2013	**2015**	2014	Terms	Conditions
AP	**₱99,911**	₱196,532	₱144,950	**₱8,174,890**	₱9,363,568	90 days or less; interest-bearing	No impairment
AEV	**11,371**	19,745	17,955	**777,265**	741,582	90 days or less; interest-bearing	No impairment
PILMICO	**9,940**	8,800	4,875	**852,076**	132,400	90 days or less; interest-bearing	No impairment
AboitizLand	**6,677**	6,743	2,523	**216,746**	493,256	90 days or less; interest-bearing	No impairment
AIPL	**4,992**	4,006	1,111	**179,550**	286,716	90 days or less; interest-bearing	No impairment
ASEAGAS	**1,484**	177	60	**358,105**	356,527	90 days or less; interest-bearing	No impairment
CPDC	**538**	216	150	**25,203**	12,872	90 days or less; interest-bearing	No impairment
AEV AVIATION	**439**	445	32	**64,224**	54,119	90 days or less; interest-bearing	No impairment
APO Agua	**386**	–	–	**69,165**	–	90 days or less; interest-bearing	No impairment
Petnet	**56**	–	–	**3,092**	–	90 days or less; interest-bearing	No impairment
ABOJEB	**–**	–	2	**–**	–	90 days or less; interest-bearing	No impairment
	₱135,794	₱236,664	₱171,658	**₱10,720,316**	₱11,441,040		

Revenue - Aviation Services

	Revenue			Accounts Receivable			
	2015	2014	2013	**2015**	2014	Terms	Conditions
Associates and Joint Ventures							
SNAP-Magat	**₱5,584**	₱6,893	₱4,623	**₱788**	₱2,865	30-day; interest-free	Unsecured; no impairment
SNAP-Generation	**2,368**	3,561	816	**1,056**	1,329	30-day; interest-free	Unsecured; no impairment
UBP	**1,763**	1,501	1,000	**413**	826	30-day; interest-free	Unsecured; no impairment
SNAP-Benguet	**1,261**	1,024	1,187	**229**	275	30-day; interest-free	Unsecured; no impairment
SFELAPCO	**–**	–	2,539	**–**	–	30-day; interest-free	Unsecured; no impairment
CEDC	**–**	–	322	**–**	–	30-day; interest-free	Unsecured; no impairment
	₱10,976	₱12,979	₱10,487	**₱2,486**	₱5,295		

Revenue - Rental

	Revenue			Accounts Receivable			
	2015	2014	2013	**2015**	2014	Terms	
Parent Company							
ACO	**₱2,644**	₱2,344	₱23	**₱–**	₱222	30-day; interest-free	Unsecured; no impairment
Associates and Joint Ventures							
UBP	**3,181**	3,029	2,994	**13**	13	30-day; interest-free	Unsecured; no impairment
East Asia Utilities Corp.	**14**	–	–	**3**	–	30-day; interest-free	Unsecured; no impairment
SNAP-Benguet	**–**	–	2	**–**	–	30-day; interest-free	Unsecured; no impairment
SNAP-Magat	**–**	–	2	**–**	–	30-day; interest-free	Unsecured; no impairment
	₱5,839	₱5,373	₱3,021	**₱16**	₱235		

Land Acquisition

	Purchase			Payable			
	2015	2014	2013	**2015**	2014	Terms	Conditions
Ultimate Parent							
ACO	**₱–**	₱–	₱–	**₱367,400**	₱391,900	Quarterly installment	Unsecured

Revenue - Sale of Power

	Revenue (see Note 26)			Receivable			
	2015	2014	2013	**2015**	2014	Terms	Conditions
Associates and Joint Ventures							
SFELAPCO	**₱2,654,128**	₱2,567,959	₱2,642,512	**₱197,118**	₱263,216	30-day; interest-free	Unsecured; no impairment
SNAP-Benguet	**–**	48,952	–	**–**	–	30-day; Interest-free	Unsecured; no impairment
SNAP-Magat	–	19,182	44,640	**–**	–	30-day; interest-free	Unsecured; no impairment
Investees of ACO							
Tsuneishi Heavy Industries (Cebu), Inc. (THICI)	**589,082**	616,373	635,649	**47,822**	49,538	30-day; interest-free	Unsecured; no impairment
Metaphil International, Inc.	**6,722**	7,276	8,417	**1,088**	334	30-day; interest-free	Unsecured; no impairment
	₱3,249,932	₱3,259,742	₱3,331,218	**₱246,028**	₱313,088		

Cost of Purchased Power

	Purchases (see Note 26)			Payable			
	2015	**2014**	2013	**2015**	2014	Terms	Conditions
Associates							
CEDC	**₱276,433**	₱285,774	₱302,186	**₱24,122**	₱23,790	30-day; interest-free	Unsecured
SNAP-Magat	**216,525**	–	103,845	**–**	–	30-day; interest-free	Unsecured
EAUC	**87,411**	108,354	99,241	**6,328**	6,163	30-day; interest-free	Unsecured
SNAP-Benguet	**84,744**	–	–	**–**	–	30-day; interest-free	Unsecured
	₱665,113	₱394,128	₱505,272	**₱30,450**	₱29,953		

Capitalized Construction and Rehabilitation Costs

	Purchases			Payable			
	2015	**2014**	2013	**2015**	2014	Terms	Conditions
Fellow Subsidiary							
ACGI	**₱–**	₱412,980	₱469,333	**₱–**	₱–	30-day; interest-free	Unsecured

The Company's retirement benefit fund is in the form of a trust being maintained and managed by ACO under the supervision of the BOT of the plan.

The Fund has a carrying amount and a fair value of ₱521.3 million and ₱578.8 million as of December 31, 2015 and 2014, respectively. The assets and investments of the Fund are as follows:

	2015	2014
Cash and fixed-income investments	**₱247,287**	₱99,259
Available-for-sale investments	**274,700**	640,635
	₱521,987	₱739,894

Fixed-income investments represent money market placements with maturities ranging from less than a year up to five years. AFS investments mainly comprise quoted equity securities which are carried at their fair values.

The Company's retirement benefit fund for its employees has investments in the equities of the Company and one of its subsidiaries. The carrying values of these investments as of December 31, 2015 and 2014 and the gains of the Fund arising from such investments for the years then ended are as follows:

	2015		2014	
	Carrying Value	**Gain (Loss)**	Carrying Value	Gain
AEV common shares	**₱–**	**₱–**	₱–	₱58
AP common shares	**76,180**	**–**	78,372	18,013

The above investments of the Fund were approved by the BOT. The voting rights over these equity securities are exercised by the chairman of the BOT.

Compensation of Key Management Personnel

	2015	2014	2013
Short-term benefits	**₱213,607**	₱191,919	₱235,455
Post-employment benefits	**14,556**	9,443	12,665
	₱228,163	₱201,362	₱248,120

35. Financial Risk Management Objectives and Policies

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

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

Risk Management Structure

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

Financial risk committee

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

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

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

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

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

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

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**

December 31, 2014

	Less than 1 year	1-5 years	More than 5 years	Total
Long-term debts				
Floating rate	₱243,658	₱1,354,664	₱252,436	₱1,850,758

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

The interest expense recognized during the period is as follows:

	2015	2014	2013
Obligations under finance lease (see Note 22)	**₱5,287,369**	₱5,289,650	₱4,804,072
Long-term debts (see Note 19)	**2,250,258**	1,119,251	642,021
Bank loans (see Note 17)	**190,568**	123,002	170,717
Long-term obligation on PDS and others	**149,130**	156,040	113,942
Customers' deposits (see Note 20)	**4,241**	8,502	1,411
Payable to a preferred shareholder of a subsidiary	**–**	–	16,072
	₱7,881,566	₱6,696,445	₱5,748,235

The interest income recognized during the period is as follows:

	2015	2014	2013
Cash and cash equivalents (see Note 4)	**₱1,123,155**	₱579,707	₱470,556
Others	**8,846**	11,429	10,905
	₱1,132,001	₱591,136	₱481,461

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) as of December 31, 2015, 2014 and 2013:

	Increase (decrease) in basis points	Effect on income before tax
2015	**200**	**(₱33,364)**
	(100)	**16,682**
2014	200	(₱37,015)
	(100)	18,508
2013	200	(₱42,254)
	(100)	21,127

The Group's sensitivity to an increase/decrease in interest rates pertaining to derivative instruments is expected to be insignificant in 2015 and 2014 due to their short-term maturities and immateriality relative to the total assets and liabilities of the Group.

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

Foreign exchange risk

The foreign exchange risk of the Group pertains significantly to its foreign currency denominated borrowings, including obligations under finance lease. To mitigate the risk of incurring foreign exchange losses, foreign currency holdings are matched against the potential need for foreign

currency in financing equity investments and new projects. As of December 31, 2015 and 2014, foreign currency denominated borrowings account for 18.5% and 24.8%, respectively, of total consolidated borrowings.

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

	2015		2014	
	US dollar	**Philippine peso Equivalent[1]**	US dollar	Philippine peso Equivalent[2]
Loans and receivables				
Cash and cash equivalents	**$58,089**	**₱2,733,648**	$58,222	₱2,603,681
AFS investments	**6,605**	**310,831**	–	–
Trade and other receivables	**1,425**	**67,047**	7,315	327,147
Derivative assets	**6,570**	**309,184**	–	–
Total financial assets	**72,689**	**3,420,710**	65,537	2,930,828
Other financial liabilities				
Bank loans	**9,396**	**442,156**	–	–
Trade and other payables	**4,582**	**215,623**	12,141	542,937
Long-term debts	**2,445**	**115,061**	2,735	122,330
Obligations under finance lease	**588,108**	**27,676,362**	614,635	27,486,477
Total financial liabilities	**604,531**	**28,449,202**	629,511	28,151,744
Net foreign currency denominated liabilities	**($531,842)**	**(₱25,028,492)**	($563,974)	(₱25,220,916)

[1]$1= ₱47.060

[2]$1= ₱44.720

The following table demonstrates the sensitivity to a reasonable possible change in the US dollar exchange rates, with all other variables held constant, of the Group's profit before tax as of December 31, 2015, 2014 and 2013.

	Increase (decrease) in US dollar rate against the Philippine peso	Effect on income before income tax
2015		
	US dollar strengthens by 5%	**(₱1,251,425)**
	US dollar weakens by 5%	**1,251,425**
2014		
	US dollar strengthens by 5%	(₱1,261,046)
	US dollar weakens by 5%	1,261,046
2013		
	US dollar strengthens by 5%	(₱1,362,519)
	US dollar weakens by 5%	1,362,519

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

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

	2015		2014	
	Philippine peso	**US dollar Equivalent**	Philippine peso	US dollar Equivalent
Cash and cash equivalents	**₱36,078**	**$767**	₱24,367	$545
Loans and receivables:				
Receivable from NPC	**376**	**8**	3,403	76
Other receivables	**1,149**	**24**	716	16
	37,603	**799**	28,486	637
Other financial liabilities:				
Accounts payable and accrued expenses	**243,927**	**5,183**	218,316	4,882
Retention payable	**644**	**14**	533	12
Other payables	**1,349**	**29**	1,264	28
	245,920	**5,226**	220,113	4,922
Net foreign currency denominated liabilities	**₱208,317**	**$4,427**	₱191,627	$4,285

In translating LHC's Philippine peso-denominated assets and liabilities into US dollar amounts, it used Philippine Dealing and Exchange Corp. (PDEX) rate of US$1.00: ₱47.06 and US$1.00:₱44.72 as of December 31, 2015 and 2014, respectively.

The following tables demonstrate the sensitivity to a reasonable possible change in the US dollar exchange rate in relation to Philippine peso, with all variables held constant, of the Group's income before tax as of December 31:.

2015	Effect on income before tax
U.S. dollar appreciates against Philippine peso by 5.0%	$211
U.S. dollar depreciates against Philippine peso by 5.0%	(233)

2014	Effect on income before tax
U.S. dollar appreciates against Philippine peso by 5.0%	$204
U.S. dollar depreciates against Philippine peso by 5.0%	(226)

2013	Effect on income before tax
U.S. dollar appreciates against Philippine peso by 5.0%	$157
U.S. dollar depreciates against Philippine peso by 5.0%	(175)

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

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

As of December 31, 2015 and 2014, the Group's exposure to equity price risk is minimal.

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

Concentration risk
Credit risk concentration of the Group's receivables according to the customer category as of December 31, 2015 and 2014 is summarized in the following table:

	2015	2014
Power distribution:		
Industrial	**₱3,173,687**	₱2,968,690
Residential	**1,395,502**	1,218,810
Commercial	**601,065**	547,802
City street lighting	**28,924**	15,630
Power generation:		
Power supply contracts	**5,202,474**	4,652,728
Spot market	**1,408,744**	1,685,598
Total concentration risk	**₱11,810,396**	₱11,089,258

The above receivables were provided with allowance for doubtful accounts amounting to ₱1.8 billion and ₱1.6 billion as of December 31, 2015 and 2014, respectively (see Note 5).

Maximum exposure to credit risk after collateral and other credit enhancements
The maximum exposure of the Group's financial instruments is equivalent to the carrying values as reflected in the consolidated balance sheets and related notes, except that the credit risk associated with the receivables from customers is mitigated because some of these receivables have collaterals.

Maximum exposure to credit risk for collateralized loans is shown below:

	2015			2014		
	Carrying Value	**Financial Effect of Collateral in Mitigating Credit Risk**	**Maximum Exposure to Credit Risk**	Carrying Value	Financial Effect of Collateral in Mitigating Credit Risk	Maximum Exposure to Credit Risk
Trade receivables:						
Power distribution	**₱5,199,178**	**₱5,199,178**	**₱–**	₱4,750,932	₱4,750,932	₱–

Financial effect of collateral in mitigating credit risk is equivalent to the fair value of the collateral or the carrying value of the loan, whichever is lower.

Credit quality

The credit quality per class of financial assets that are neither past due nor impaired is as follows:

December 31, 2015

	Neither past due nor impaired			**Past due or individually impaired**	**Total**
	High grade	**Standard grade**	**Sub-standard grade**		
Cash and cash equivalents	**₱63,581,884**	**₱–**	**₱–**	**₱–**	**₱63,581,884**
Trade and other receivables					
Trade receivables					
Power	**6,860,105**	**90,163**	**119,943**	**4,740,185**	**11,810,396**
Food manufacturing	**118,774**	**708,064**	**318,933**	**523,616**	**1,669,387**
Real estate	**1,585,983**	**432,877**	**–**	**267,292**	**2,286,152**
Holding and others	**668,688**	**7,552**	**–**	**82,289**	**758,529**
Transport services	**2,289**	**–**	**–**	**–**	**2,289**
Other receivables	**4,418,033**	**12,767**	**1,286**	**136,437**	**4,568,523**
AFS investments					
Quoted shares of stock	**325,482**	**–**	**–**	**–**	**325,482**
Unquoted shares of stock	**42,234**	**–**	**–**	**–**	**42,234**
Derivative asset	**563,366**	**–**	**–**	**–**	**563,366**
	₱78,166,838	**₱1,251,423**	**₱440,162**	**₱5,749,819**	**₱85,608,242**

December 31, 2014

	Neither past due nor impaired			Past due or individually impaired	Total
	High grade	Standard grade	Sub-standard grade		
Cash and cash equivalents	₱50,481,566	₱–	₱–	₱–	₱50,481,566
Trade and other receivables					
Trade receivables					
Power	5,525,348	94,364	322,783	5,146,763	11,089,258
Food manufacturing	135,680	633,701	446,128	824,436	2,039,945
Real estate	1,024,055	505,910	–	369,460	1,899,425
Holding and others	250,193	–	–	14,077	264,270
Transport services	43,163	2,033	–	–	45,196
Other receivables	3,099,410	45,835	5,495	101,367	3,252,107
AFS investments					
Quoted shares of stock	13,720	–	–	–	13,720
Unquoted shares of stock	50,524	–	–	–	50,524
Derivative asset	112,544	–	–	–	112,544
	₱60,736,203	₱1,281,843	₱774,406	₱6,456,103	₱69,248,555

High grade - pertain to receivables from customers with good favorable credit standing and have no history of default.

Standard grade - pertain to those customers with history of sliding beyond the credit terms but pay a week after being past due.

Sub-standard grade - pertain to those customers with payment habits that normally extend beyond the approved credit terms, and has high probability of being impaired.

The Group evaluated its cash and cash equivalents as high quality financial assets since these are placed in financial institutions of high credit standing.

With respect to AFS investments and derivative asset, the Group evaluates the counterparty's external credit rating in establishing credit quality.

The aging analysis per class of financial assets that are past due but not impaired is as follows:

December 31, 2015

			Past due but not impaired				
	Total	**Neither past due nor impaired**	**Less than 30 days**	**31 days to 1 year**	**Over 1 year up to 3 years**	**Over 3 years**	**Impaired**
Loans and receivables							
Cash and cash equivalents	**₱63,581,884**	**₱63,581,884**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**
Trade and other receivables							
Trade receivables							
Power	**11,810,396**	**7,070,211**	**1,457,571**	**1,440,989**	**–**	**–**	**1,841,625**
Food manufacturing	**1,669,387**	**1,145,771**	**322,796**	**73,996**	**–**	**–**	**126,824**
Real estate	**2,286,152**	**2,018,860**	**71,974**	**193,312**	**–**	**–**	**2,006**
Holding and others	**758,529**	**676,240**	**2,569**	**8,230**	**–**	**–**	**71,490**
Transport services	**2,289**	**2,289**	**–**	**–**	**–**	**–**	**–**
Other receivables	**4,568,523**	**4,432,086**	**10,142**	**126,295**	**–**	**–**	**–**
AFS investments							
Quoted shares of stock	**325,482**	**325,482**	**–**	**–**	**–**	**–**	**–**
Unquoted shares of stock	**42,234**	**42,234**	**–**	**–**	**–**	**–**	**–**
Derivative asset	**563,366**	**563,366**	**–**	**–**	**–**	**–**	**–**
	₱85,608,242	**₱79,858,423**	**₱1,865,052**	**₱1,842,822**	**₱–**	**₱–**	**₱2,041,945**

December 31, 2014

			Past due but not impaired				
	Total	Neither past due nor impaired	Less than 30 days	31 days to 1 year	Over 1 year up to 3 years	Over 3 years	Impaired
Loans and receivables							
Cash and cash equivalents	₱50,481,566	₱50,481,566	₱–	₱–	₱–	₱–	₱–
Trade and other receivables							
Trade receivables							
Power	11,089,258	5,942,495	1,746,265	1,841,484	–	–	1,559,014
Food manufacturing	2,039,945	1,215,509	533,511	193,703	–	–	97,222
Real estate	1,899,425	1,529,965	38,696	328,988	–	–	1,776
Holding and others	264,270	250,193	–	14,077	–	–	–
Transport services	45,196	45,196	–	–	–	–	–
Other receivables	3,252,107	3,150,740	891	100,476	–	–	–
AFS investments							
Quoted shares of stock	13,720	13,720	–	–	–	–	–
Unquoted shares of stock	50,524	50,524	–	–	–	–	–
Derivative asset	112,544	112,544	–	–	–	–	–
	₱69,248,555	₱62,792,452	₱2,319,363	₱2,478,728	₱–	₱–	₱1,658,012

Trade and other receivables that are individually determined to be impaired at the balance sheet date relate to debtors that are in significant financial difficulties and have defaulted on payments and accounts under dispute and legal proceedings.

Liquidity Risk

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

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

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

In managing its long-term financial requirements, the policy of the Group is that not more than 25% of long term borrowings should mature in any twelve-month period. As of December 31, 2015 and 2014, the portion of the total long-term debt, inclusive of customers' deposits, that will mature in less than one year is 3.60% and 4.17%, respectively. For its short-term funding, the policy of the Group is to ensure that there are sufficient working capital inflows to match repayments of short-term debt.

Cash and cash equivalents and trade and other receivables, which are all short-term in nature, have balances of ₱63.6 billion and ₱18.8 billion as of December 31, 2015, respectively and of ₱50.5 billion and ₱16.6 billion as of December 31, 2014, respectively (see Notes 4 and 5). These financial assets will be used to fund short-term and operational liquidity needs of the Group.

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

December 31, 2015

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

**Excludes statutory liabilities*

December 31, 2014

	Total carrying value	Contractual undiscounted payments				
		Total	On demand	Less than 1 year	1-5 years	> 5 years
Financial liabilities:						
Operating						
Trade and other payables*	₱12,917,092	₱13,121,819	₱1,532	₱13,120,287	₱–	₱–
Customers' deposits	5,943,305	5,943,305	–	–	48,259	5,895,046
Financing						
Bank loans	7,343,700	7,343,863	–	7,343,863	–	–
Long-term debts	56,721,984	74,946,046	13,302	5,174,796	23,816,196	45,941,752
Obligations under finance lease	54,461,021	94,324,983	–	7,353,623	41,724,000	45,247,360
Long-term obligation on PDS	256,015	560,000	–	40,000	200,000	320,000
	₱137,643,117	₱196,240,016	₱14,834	₱33,032,569	₱65,788,455	₱97,404,158

**Excludes statutory liabilities*

Capital Management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

Certain entities within the Group that are registered with the Board of Investments (BOI) are required to raise a minimum amount of capital in order to avail of their registration incentives. As of December 31, 2015 and 2014, these entities have complied with this requirement as applicable (see Note 37).

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

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

	2015	2014
Bank loans	**₱8,883,056**	₱7,343,700
Long-term obligations	**152,216,586**	111,183,005
Cash and cash equivalents	**(63,581,884)**	(50,481,566)
Net debt (a)	**97,517,758**	68,045,139
Equity	**146,984,442**	134,934,964
Equity and net debt (b)	**₱244,502,200**	₱202,980,103
Gearing ratio (a/b)	**39.88%**	33.52%

Part of the Group's capital management is to ensure that it meets financial covenants attached to long-term borrowings. Breaches in meeting the financial covenants would permit the banks to immediately call loans and borrowings. The Group is in compliance with the financial covenants attached to its long-term debt as of December 31, 2015 and 2014 (see Note 19).

No changes were made in the objectives, policies or processes during the years ended December 31, 2015 and 2014.

Financial and Other Risk Relating to Livestock

The Group is exposed to financial risks arising from the change in cost and supply of feed ingredients and the selling price of hogs, all of which are determined by constantly changing market forces of supply and demand, and other factors. The other factors include environmental regulations, weather conditions and livestock diseases which the Group has little control. The mitigating factors are listed below:

- The Group is subject to risks relating to its ability to maintain animal health status considering that it has no control over neighboring livestock farms. Livestock health problems could adversely impact production and consumer confidence. However, the Group monitors the health of its livestock on a daily basis and proper procedures are put in place.

- The livestock industry is exposed to risk associated with the supply and price of raw materials, mainly grain prices. Grain prices fluctuate depending on the harvest results. The shortage in the supply of grain will result in adverse fluctuation in the price of grain and will ultimately increase production cost. The Group monitors the prices of grains regularly. The formulation of feeds at a least cost being done by the Group considers the appropriate nutrients the hogs need. It is the Group's policy not to enter into forward contracts until a firm commitment is in place.

36. Financial Instruments

Fair Value of Financial Instruments

Fair value is defined as the amount at which the financial instrument could be sold in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced liquidation or sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.

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

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

	2015		2014	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial liabilities				
Obligations under finance lease	**₱53,668,854**	**₱56,465,454**	₱54,461,021	₱67,425,952
Long-term debt - fixed rate	**96,879,552**	**97,276,291**	54,871,226	55,094,367
Long-term obligation on PDS	**247,184**	**414,135**	256,015	415,314
	₱150,795,590	**₱154,155,880**	₱109,588,262	₱122,935,633

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

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

Obligations under finance lease
The fair value of the finance lease obligation was calculated by discounting future cash flows using discount rates of 5.83% to 8.17% for dollar payments and 1.78% to 6.51% for peso payments in 2015; and 5.86% to 10.05% for dollar payments and 1.79% to 5.99% for peso payments in 2014. The disclosed fair value is determined using Level 3 inputs.

Fixed-rate borrowings
The fair value of fixed rate interest-bearing loans is based on the discounted value of future cash flows using the applicable rates for similar types of loans. Interest-bearing loans were discounted using credit-adjusted interest rates ranging from 1.88% to 6.23% in 2015 and 3.10% to 6.17% in 2014. The disclosed fair value is determined using Level 3 inputs.

Variable-rate borrowings
Where the repricing of the variable-rate interest-bearing instruments is frequent (i.e., three-month repricing), the carrying value approximates the fair value. Otherwise, the fair value is determined by discounting the principal plus the known interest payment using current market rates.

Long-term obligation on PDS
The fair value of the long-term obligations on PDS is calculated by discounting expected future cash flows at prevailing market rates. Discount rates used in discounting the obligation ranges from 3.83% to 4.47% in 2015 and 2.70% to 4.66% in 2014. The disclosed fair value is determined using Level 3 inputs.

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

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

Derivative asset and liabilities
The fair value is calculated by reference to prevailing interest rate differential and spot exchange rate as of valuation date, taking into account its remaining term to maturity. The Group enters into derivative financial instruments with financial institutions with investment grade credit ratings. Derivative valued using a valuation technique with market observable inputs pertains to a foreign exchange forward contract. The most applied valuation technique is forward pricing. The model incorporates various inputs including the credit quality of counterparty and foreign exchange spot and forward rates.

The Group also entered into an interest rate swap agreement to fully hedge its floating rate exposure on its foreign currency-denominated loan.

Derivative financial instruments
The fair value is calculated by reference to prevailing interest rate differential and spot exchange rate as of valuation date, taking into account its remaining term to maturity. The Group enters into non-deliverable short-term forward contracts with counterparty banks to manage its foreign currency risks associated with foreign currency-denominated liabilities and purchases.

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

Interest rate swap
In August 2012, LHC entered into an interest rate swap agreement effective October 31, 2012 to fully hedge its floating rate exposure on its US dollar denominated loan. Under the interest rate swap agreement, LHC, on a semi-annual basis, pays a fixed rate of 1.505% per annum and receives variable interest at 6-month LIBOR plus margin. The interest payments and receipts are based on the outstanding USD notional amount simultaneous with the interest payments on the hedged loan. Similar with the hedged loan, the interest rate swap has amortizing notional amounts which cover a period up to final maturity. LHC designated the swap as a cash flow hedge.

As of December 31, 2015, the outstanding notional amount and derivative asset as a result of the swap amounted to US$33.1 million and ₱3.4 million, respectively. As of December 31, 2014, the outstanding notional amount and derivative asset as a result of the swap amounted to US$38.7 million and ₱13.0 million, respectively.

Foreign currency forward contracts
On November 26, 2015, Hedcor Bukidnon entered into a deliverable forward contract to manage its foreign currency risks associated with its Euro (€) denominated purchases. As of December 31, 2015, the outstanding sell US dollar buy Euro forward contract has an aggregate notional amount of €7.4 million and weighted average forward exchange rates of €1.0624/US$1. The maturity of the derivatives begins on December 21, 2015 until September 1, 2017.

On November 26, 2015, Hedcor Bukidnon also entered into a non-deliverable forward contract to manage its exposure to exchange rate fluctuations associated with US dollar-denominated purchases. As of December 31, 2015, the contract has an aggregate notional amount of US$8 million that will be fully settled within 2017.

Hedcor Bukidnon designated these foreign currency hedging transactions as cash flow hedges.

Par forward contracts
In 2015, TVI entered into par forward contracts to hedge the foreign currency risk arising from the forecasted US dollar denominated payments under the Engineering Procurement Construction (EPC) contract related to the construction of a power plant. As of December 31, 2015, the aggregate notional amount of the par forward contracts is US$211.4 million.

In 2014, the Group's Joint Operation entered into par forward contracts to hedge the foreign currency risk arising from the forecasted US dollar denominated payments under the EPC contract related to the construction of a power plant. The par forward contracts were designated as cash flow hedges. As of December 31, 2015 and 2014, the aggregate notional amount of the par forward contracts is ₱3.6 billion and ₱1.6 billion, respectively.

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

	2015	2014
At beginning of year	**₱112,544**	₱30,877
Net changes in fair value of derivatives designated as accounting hedges	**150,474**	54,703
Net changes in fair value of derivatives not designated as accounting hedges	**331,291**	–
Fair value of settled instruments	**(30,943)**	26,964
At end of year	**₱563,366**	₱112,544

The losses from the net fair value changes of derivatives not designated as accounting hedges are included as "Foreign exchange losses - net" under "Other income - net".

The changes in the fair value of derivatives designated as accounting hedges were deferred in equity under "Cumulative translation adjustments."

The net movement of changes to cumulative translation adjustment is as follows:

	2015	2014
Balance at beginning of year (net of tax)	**₱81,388**	₱27,185
Changes in fair value recorded in equity	**150,474**	55,600
	231,862	82,785
Transfers to construction in progress	**(67,191)**	5,183
Changes in fair value transferred to profit or loss	**18,704**	21,555
Balance at end of year before deferred tax effect	**183,375**	109,523
Deferred tax effect	**(36,038)**	(28,135)
Balance at end of year (net of tax)	**₱147,337**	₱81,388

Fair Value Hierarchy

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

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

As of December 31, 2015 and 2014, the Group held the following financial instruments that are measured and carried or disclosed at fair value:

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**

December 31, 2014

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

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

37. Registrations with the Department of Energy and Board of Investments (BOI)

a. Certain power generation companies in the Group have been registered with the BOI. Accordingly, they are entitled to, among others, ITH incentives covering four (4) to seven (7) years. To be able to avail of the incentives, the companies are required to maintain a minimum equity level. As of December 31, 2015 and 2014, these companies have complied with the requirements.

b. On March 19, 2014, the BOI approved the registration of PANC's swine offsite nursery farm as "expanding producer of hogs" on a nonpioneer status under Omnibus Investment Code of 1987. This registration entitles PANC's swine offsite nursery farm to an ITH for a period of three (3) years form the actual start of commercial operations, in July 2014, whoever comes first, but in no case earlier than the date of registration. As of December 31, 2015, PANC has complied with the terms and conditions indicated in this BOI registration.

c. On October 9, 2015, the BOI approved the registration of Pilmico's feedmill plant expansion as "Expanding Producer of Animal Feeds"(2014-210) on a nonpioneer status under the Omnibus Investment Code of 1987. Said registration entitles PILMICO to an ITH for a period of three years from January 2016 or actual start of commercial operations, whichever is earlier but in no case earlier than the date of registration. As of December 31, 2015, PILMICO has complied with the terms and conditions indicated in this BOI registration.

d. On April 7, 2015, the BOI approved the registration of PANC's poultry layer farm as "New Producer of Table Eggs and By- Products (Culled Chicken and Manure)" on a nonpioneer status under the Omnibus Investment Code of 1987. This registration entitles PANC to an ITH for a period of four years from October 2015 or start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. As of December 31, 2015, PANC has complied with the terms and conditions indicated in this BOI registration.

e. The BOI has also approved AboitizLand's application as a new/expanding developer of low cost mass housing projects. It is entitled to, among others, ITH incentives for a period for three (3) to four (4) years. It is also required to maintain certain equity requirements prior to availment of the incentives. As of December 31, 2015 and 2014, AboitizLand has complied with the requirements.

38. Rate Regulation, Power Supply and Other Agreements

a. Certain subsidiaries are subject to the ratemaking regulations and regulatory policies by the Energy Regulatory Commission (ERC).

b. APRI Agreements
Total steam supply cost incurred by APRI, reported as part of "Cost of generated power" amounted to ₱4.0 billion in 2015, ₱4.9 billion in 2014 and ₱4.3 billion in 2013.

Geothermal Resource Sales Contract
On May 26, 2013, APRI's steam supply contract with Chevron Geothermal Philippines Holdings, Inc. (CGPHI) shifted to a GRSC. The change is due to an existing provision under the government's existing contract with CGPHI when the Tiwi-Makban facilities were bidded out under the former's privatization program. Under the GRSC, the effective steam price of APRI payable to CGPHI will be at a premium to coal.

To ensure that APRI will continue to remain competitive in the market, a two-month interim agreement supplementing the GRSC was implemented on August 4, 2013 and extended until February 25, 2015. Upon expiration in 2015, this was further extended until June 25, 2016.

Lease Agreement with PSALM
On May 25, 2009, APRI entered into a lease agreement with PSALM for a parcel of land owned by the latter on which a portion of the assets purchased under the Asset Purchase Agreement is situated. The lease term is for a period of twenty-five (25) years commencing from the Closing Date as defined in the APA which falls on May 25, 2009. The rental fees for the whole term of 25 years amounting to ₱492.0 million were paid in full after the receipt by APRI of the Certificate of Effectivity on the lease. Total land lease charged to operations amounted to ₱19.7 million in 2015, 2014 and 2013.

c. Coal Supply Agreement
TLI enters into short-term coal supply agreements. Outstanding coal supply agreements as of December 31, 2014 have aggregate supply amounts of 615,500 MT (equivalent dollar value is estimated to be at US$30 million) which are due for delivery from January 2016 to April 2016. The coal supply agreements for the past three years had terms of payment by letter of credit where payment is due at sight against presentation of documents, and by telegraphic transfer where payment is due within 7 days from receipt of original invoice (see Note 27).

d. Construction of civil works and electro-mechanical works and project management related to the construction of the Tudaya 1 and 2 hydro power plants. Total purchase commitments entered into by the Hedcor Sibulan and Hedcor Tudaya amounted to ₱6.3 million and €0.1 million as of December 31, 2015, respectively, and ₱52.7 million and €2.0 million, as of December 31, 2014, respectively. Total payments made for the commitments amounted to ₱5.7 million and ₱49.4 million, as of December 31, 2015 and 2014, respectively.

39. Contingencies

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

AP obtained standby letters of credit (SBLC) and is acting as surety for the benefit of certain associates and a subsidiary in connection with loans and credit accommodations. It provided SBLC for STEAG, SNAP M, SNAP B, and CEDC in the amount of ₱1.49 billion in 2015, ₱1.98 billion in 2014 and ₱2.10 billion in 2013.

40. **Other Matters**

a. Renewable Energy Act of 2008
On January 30, 2009, R.A. No. 9513, *An Act Promoting the Development, Utilization and Commercialization of Renewable Energy Resources and for Other Purposes*, which shall be known as the "Renewable Energy Act of 2008" (the Act), became effective. The Act aims to (a) accelerate the exploration and development of renewable energy resources such as, but not limited to, biomass, solar, wind, hydro, geothermal and ocean energy sources, including hybrid systems, to achieve energy self-reliance, through the adoption of sustainable energy development strategies to reduce the country's dependence on fossil fuels and thereby minimize the country's exposure to price fluctuations in the international markets, the effects of which spiral down to almost all sectors of the economy; (b) increase the utilization of renewable energy by institutionalizing the development of national and local capabilities in the use of renewable energy systems, and promoting its efficient and cost-effective commercial application by providing fiscal and non-fiscal incentives; (c) encourage the development and utilization of renewable energy resources as tools to effectively prevent or reduce harmful emissions and thereby balance the goals of economic growth and development with the protection of health and environment; and (d) establish the necessary infrastructure and mechanism to carry out mandates specified in the Act and other laws.

As provided for in the Act, renewable energy (RE) developers of RE facilities, including hybrid systems, in proportion to and to the extent of the RE component, for both power and non-power applications, as duly certified by the DOE, in consultation with the BOI, shall be entitled to incentives, such as, ITH, duty-free importation of RE machinery, equipment and materials, zero percent VAT rate on sale of power from RE sources, and tax exemption of carbon credits, among others.

The Group expects that the Act may have significant effect on the operating results of some of its subsidiaries and associates that are RE developers. Impact on the operating results is expected to arise from the effective reduction in taxes.

b. Electric Power Industry Reform Act (EPIRA) of 2001
RA No. 9136 was signed into law on June 8, 2001 and took effect on June 26, 2001. The law provides for the privatization of NPC and the restructuring of the electric power industry. The Implementing Rules and Regulations (IRR) were approved by the Joint Congressional Power Commission on February 27, 2002.

R.A. No. 9136 and the IRR impact the industry as a whole. The law also empowers the ERC to enforce rules to encourage competition and penalize anti-competitive behavior.

R.A. Act No. 9136, the EPIRA, and the covering IRR provides for significant changes in the power sector, which include among others:

i. The unbundling of the generation, transmission, distribution and supply and other disposable assets of a company, including its contracts with IPPs and electricity rates;
ii. Creation of a WESM; and
iii. Open and non-discriminatory access to transmission and distribution systems.

The law also requires public listing of not less than 15% of common shares of generation and distribution companies within 5 years from the effectivity date of the EPIRA. It provides cross ownership restrictions between transmission and generation companies and a cap of 50% of its demand that a distribution utility is allowed to source from an associated company engaged in generation except for contracts entered into prior to the effectivity of the EPIRA.

There are also certain sections of the EPIRA, specifically relating to generation companies, which provide for a cap on the concentration of ownership to only 30% of the installed capacity of the grid and/or 25% of the national installed generating capacity.

c. Temporary Restraining Order (TRO) affecting Power Generation Companies trading in WESM

On December 19, 2013, Bayan Muna representatives filed a Petition for Certiorari against the ERC and the Manila Electric Company (MERALCO) with the Supreme Court (SC). On December 20, 2013, National Association of Electricity Consumers for Reforms filed a Petition for Certiorari and/or Prohibition against MERALCO, ERC and DOE. These cases raised and questioned, among others, the alleged substantial increase in MERALCO's power rates for the billing period of November 2013, the legality of Sections 6, 29 and 45 of the EPIRA, the failure of ERC to protect consumers from the high energy prices and the perceived market collusion of the generation companies.

These cases were consolidated by the SC which issued a TRO for a period of 60 days from December 23, 2013 to February 21, 2014, preventing MERALCO from collecting the increase in power rates for the billing period of November 2013 (the TRO was subsequently extended for another 60 days ending April 22, 2014 by the SC).

MERALCO, in turn, filed a counter-petition impleading generation companies supplying power to the WESM. The SC also ordered all the parties in the consolidated cases to file their respective pleadings in response to MERALCO's counter-petition. The Supreme Court set the consolidated cases for oral arguments last January 21, February 4 and 11, 2014. After hearing, all parties were ordered to file their comments and/or memorandum. The case is pending before the SC.

As a result of the TRO, Meralco has not been able to fully bill its consumers for the generation costs for the supply month of November 2013; and in turn, it has not been able to fully pay its suppliers of generation costs.

d. Imposition of financial penalties on Therma Mobile by the Philippine Electricity Market Corporation (PEMC)

This case involves an investigation of Therma Mobile in the dispatch of its power barges during the November and December 2013 supply period. As a result of the Meralco price hike case brought before the SC, the SC ordered the ERC to investigate anti-competitive behavior and abuse of market power allegedly committed by some WESM participants.

PEMC conducted the investigation under the "Must-Offer" rules of the WESM Rules.

PEMC initially found that Therma Mobile violated the "Must-Offer Rule" during the period under investigation. In its letter dated January 30, 2015, the PEM Board imposed financial penalties

amounting to ₱234.9 million on Therma Mobile. According to the PEM Board, the penalties will be collected from Therma Mobile through the WESM settlement process.

Therma Mobile maintains that there is no basis for the PEMC decision. It did not violate the Must-Offer Rule, for the period ended, as it was physically impossible for Therma Mobile to transmit more than 100MW to Meralco. Although Therma Mobile's rated capacity is 234 MW (Net), it could only safely, reliably and consistently deliver 100MW during the November and December 2013 supply period because of transmission constraints. Therma Mobile's engines and transmission lines were still undergoing major repairs to address issues on post rehabilitation.

Last February 13, 2015, Therma Mobile filed a notice of dispute with the PEMC to refer the matter to dispute resolution under the WEM Rules and the WESM Dispute Resolution Market Manual.

Therma Mobile also filed a Petition for the Issuance of Interim Measures of Protection with the Regional Trial Court (RTC) of Pasig to hold off enforcement of the payment of the penalties during the pendency of the Therma Mobile and PEMC dispute resolution proceedings. Last February 24, 2015, the RTC issued in favor of Therma Mobile an ex parte 20-day Temporary Order of Protection directing PEMC to refrain from (a) demanding and collecting from Therma Mobile the ₱234.9 million financial penalty; (b) charging and accruing interest on the financial penalty; and (c) transmitting the PEMC-ECO investigation report to the ERC. Therma Mobile and PEMC have agreed to maintain the status-quo until the RTC rules on the Therma Mobile's application for preliminary injunction.

e. ERC Case No. 2013-077 MC
On August 29, 2013, MERALCO filed a petition for dispute resolution against TLI/APRI , among other Successor Generating Companies ("SGCs") under ERC Case No. 2013-077 MC The case arose from a claim of refund of the alleged over charging of transmission line losses pursuant to the ERC Order dated March 4, 2013 and July 1, 2013 in ERC Case No. 2008-083 MC.

On September 20, 2013, TLI, together with the other SGCs, filed a Joint Motion to Dismiss arguing that MERALCO's petition should be dismissed for failure to state a cause of action and ERC's lack of jurisdiction over the subject matter of the case. The Joint Motion to Dismiss has since then been submitted for resolution with the ERC. To date, the ERC has yet to render its decision on the Joint Motion to Dismiss.

41. Events after the Reporting Period

To comply with the requirements of Section 43 of the Corporation Code, on March 8, 2016, the BOD approved the following:

a. Declaration of a regular cash dividend of ₱1.06 per share (₱5.89 billion) to all stockholders of record as of March 22, 2016. These dividends 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.

b. Appropriation of ₱2.72 billion of the retained earnings as of December 31, 2015 for the funding of the estimated ₱1.0 billion purchase price adjustment on the acquisition of the Philippine business of Lafarge S.A. and for additional capital infusion into the following investees to finance their respective business expansion projects or ongoing plant construction (amounts in thousand pesos):

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

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

CE02536

Company Name

ABOITIZ EQUITY VENTURES, INC

SUPPLEMENTARY SCHEDULES

Principal Office (No./Street/Barangay/City/Town)Province)

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

Form Type	Department requiring the report	Secondary License Type, If Applicable
AATS	CFD	- NA -
Subsidiaries		

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
Aboitiz.com.ph	(032) 411-1800	0917-7265728

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
9,328	May 16	December 31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Melinda R. Bathan	melinda.bathan@aboitiz.com	(032) 411-1710	Not Available

Contact Person's Address

c/o Aboitiz Equity Ventures, Inc - 32nd Street, Bonifacio Global City, Taguig City, Metro Manila

Note: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

SEC
Cebu Extension Office
APR 13 2016
By:
RECEIVED SUBJECT TO REVIEW OF FORM AND CONTENTS

ABOITIZ EQUITY VENTURES, INC.
AND SUBSIDIARIES

Supplementary Schedules
to the Financial Statements
Required by the Securities and Exchange Commission
For the Year Ended December 31, 2015

and

Independent Auditors' Report

Philippine
Pesos

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

Supplementary Schedules Required
By the Securities and Exchange Commission
As of and for the Year Ended December 31, 2015

NA: NOT APPLICABLE

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE A - FINANCIAL ASSETS

AS OF DECEMBER 31, 2015
(Amounts in Thousands)

Name of Issuing Entity	Number of Shares	Amount Shown in the Balance Sheet	Value Based on Market Quotation at Balance Sheet Date	Income Received or Accrued
Cash In Bank				
ANZ	Not applicable	P 2,433	Not applicable	P -
Allied Bank	Not applicable	2,391	Not applicable	7
Asian United Bank	Not applicable	569	Not applicable	8
Banco de Oro	Not applicable	1,852,842	Not applicable	4,265
Bank of Commerce	Not applicable	4,141	Not applicable	10
Bank of the Philippine Islands	Not applicable	823,569	Not applicable	758
China Banking Corporation	Not applicable	5,178	Not applicable	21
China Trust Banking Corporation	Not applicable	1,538	Not applicable	8
Citibank	Not applicable	606	Not applicable	-
City Savings Bank	Not applicable	25,866	Not applicable	-
Development Bank of the Philippines	Not applicable	945	Not applicable	1
Eastwest Bank	Not applicable	339	Not applicable	20
Hongkong Shanghai Banking Corporation	Not applicable	22,793	Not applicable	-
Landbank of the Philippines	Not applicable	22,809	Not applicable	66
Maybank Corporation	Not applicable	2,834	Not applicable	13
Metropolitan Bank and Trust Company	Not applicable	459,403	Not applicable	964
Mizuho Corporatet Bank, Ltd.	Not applicable	-	Not applicable	72
One Network Bank	Not applicable	6,651	Not applicable	-
PB Com	Not applicable	4,572	Not applicable	11
Philippine Business Bank	Not applicable	300	Not applicable	10
Philippine National Bank	Not applicable	489,952	Not applicable	163
Philippine Veterans Bank	Not applicable	337	Not applicable	-
Planters Bank	Not applicable	1,388	Not applicable	14
Rizal Commercial Banking Corporation	Not applicable	339,665	Not applicable	492
Robinson's Bank	Not applicable	1,985	Not applicable	6
Rural Bank of Cotabato	Not applicable	20	Not applicable	-
Security Bank Corporation	Not applicable	146,382	Not applicable	914
Sterling Bank of Asia	Not applicable	513	Not applicable	4
Union Bank of the Philippines	Not applicable	3,720,127	Not applicable	30,145
United Coconut Planters Bank	Not applicable	486	Not applicable	12
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	Not applicable	24	Not applicable	-
ANZ, Ho Chi Minh City branch	Not applicable	479	Not applicable	-
SCB, Dong Thap branch	Not applicable	22	Not applicable	3
Sacombank, Dong Thap branch	Not applicable	22	Not applicable	4
Vietcombank, Dong Thap branch	Not applicable	438	Not applicable	35
HSBC, Ho Chi Minh City branch	Not applicable	285	Not applicable	-
Vietinbank, Dong Thap branch	Not applicable	143	Not applicable	15
BIDV, Dong Thap branch	Not applicable	844	Not applicable	94
TOTAL		**P 7,942,891**		**P 38,135**

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE A - FINANCIAL ASSETS

AS OF DECEMBER 31, 2015
(Amounts in Thousands)

Name of Issuing Entity	Number of Shares	Amount Shown in the Balance Sheet	Value Based on Market Quotation at Balance Sheet Date	Income Received or Accrued
Money Market Placements				
Banco de Oro	Not applicable	P 4,092,611	Not applicable	P 8,497
BDO Unibank, Inc.	Not applicable	-	Not applicable	4,292
Bank of the Philippine Islands	Not applicable	3,113,993	Not applicable	23,565
Chinabank Corporation	Not applicable	14,272	Not applicable	1,559
City Savings Bank	Not applicable	19,545,781	Not applicable	507,292
Hongkong & Shanghai Banking Corporation	Not applicable	9,357	Not applicable	38
First Metro Investment Corporation	Not applicable	5,566,682	Not applicable	138,915
Metropolitan Bank and Trust Company	Not applicable	11,578,561	Not applicable	186,932
Philippine National Bank	Not applicable	3,062	Not applicable	-
Planters Bank	Not applicable	927	Not applicable	-
Rizal Commercial Banking Corporation	Not applicable	9,015	Not applicable	51
Rural Bank Quezon Capital	Not applicable	372	Not applicable	-
Security Bank Corporation	Not applicable	3,783,387	Not applicable	45,340
Mizuho Corporate Bank, Ltd.	Not applicable	40,000	Not applicable	40,435
United Coconut Planters Bank	Not applicable	6	Not applicable	3
Sacombank, Dong Thap branch - VND	Not applicable	200,945	Not applicable	10,021
SCB, Dong Thap branch - VND	Not applicable	341,366	Not applicable	10,613
Union Bank of the Philippines	Not applicable	7,000,190	Not applicable	105,650
T O T A L		**P 55,300,527**		**P 1,083,203**
Trade Receivables				
Power	Not applicable	P 11,810,396	Not applicable	Not applicable
Food manufacturing	Not applicable	1,669,387	Not applicable	Not applicable
Real estate	Not applicable	2,286,152	Not applicable	Not applicable
Holding and others	Not applicable	758,529	Not applicable	Not applicable
Transport services	Not applicable	2,289	Not applicable	Not applicable
T O T A L		**P 16,526,753**		

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

AS DECEMBER 31, 2015
(Amounts in Thousands)

Name and Designation of Debtor	Beginning Balance	Additions	Deductions		Current	Non-Current	Ending Balance
			Amounts Collected	Amounts Written Off			
TRADE							
Pilmico Foods Corporation	**P 65,889**	P 72,889	-	P -	P 138,778	P -	**P 138,778**
Pilmico Animal Nutrition Corporation	**2,932**	-	(1,321)	-	1,611	-	**1,611**
Filagri, Inc.	**-**	2	-	-	2	-	**2**
AEV Aviation, Inc.	**1,373**	-	(454)	-	919	-	**919**
Cebu Praedia Development Corporation	**1,069**	-	(978)	-	91	-	**91**
Aseagas Corporation	**3,401**	-	(2,199)	-	1,202	-	**1,202**
APO Agua Infrastructura, Inc.	**-**	175	-	-	175	-	**175**
PETNET, Inc.	**-**	31	-	-	31	-	**31**
Aboitiz Power Corporation	**33,318**	7,440	-	-	40,758	-	**40,758**
Davao Light and Power Co., Inc.	**52,321**	-	(20,335)	-	31,986	-	**31,986**
Cotabato Light and Power Co., Inc.	**1,804**	-	(814)	-	990	-	**990**
Cotabato Ice Plant, Inc.	**(718)**	1	-	-	(717)	-	**(717)**
Subic Enerzone Corporation	**1,698**	-	(798)	-	900	-	**900**
Mactan Enerzone Corporation	**291**	-	(123)	-	168	-	**168**
Balamban Enerzone Corp.	**183**	34	-	-	217	-	**217**
Lima Enerzone Corporation	**-**	58	-	-	58	-	**58**
Cebu Private Power Corporation	**615**	-	(69)	-	546	-	**546**
San Fernando Electric Light & Power Co.	**1,953**	-	(23)	-	1,930	-	**1,930**
East Asia Utilities Corp.	**1,065**	-	(279)	-	786	-	**786**
AP Energy Solutions, Inc.	**312**	255	-	-	567	-	**567**
RP Energy, Inc.	**8**	-	-	-	8	-	**8**
Advent Energy, Inc.	**276**	-	(33)	-	243	-	**243**
Therma Power, Inc.	**645**	-	(206)	-	439	-	**439**
Therma Power Visayas, Inc.	**3,529**	-	(224)	-	3,305	-	**3,305**
Therma Luzon, Inc.	**1,412**	665	-	-	2,077	-	**2,077**
Therma South, Inc.	**2,090**	1,428	-	-	3,518	-	**3,518**
Therma Mobile, Inc.	**676**	354		-	1,030	-	**1,030**
Therma Marine, Inc.	**(140)**	8	-	-	(132)	-	**(132)**
Pagbilao Energy Corp.	**1,426**	-	(1,410)	-	16	-	**16**
Hedcor, Inc.	**5,185**	-	(2,408)	-	2,777	-	**2,777**
Hedcor Sibulan, Inc.	**2,091**	-	(789)	-	1,302	-	**1,302**
Hedcor Tudaya, Inc.	**98**	32	-	-	130	-	**130**
Hedcor Bokod, Inc.	**94**	-	-	-	94	-	**94**

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE D - INTANGIBLE ASSETS AND OTHER ASSETS

AS OF DECEMBER 31, 2015
(Amount in Thousands)

Description	Beginning Balance	Additions At Cost	DEDUCTIONS		Other Changes Additions (Deductions)	Discontinued Operation	Ending Balance
			Charged to Costs and Expenses	Charged to Other Accounts			
A. Intangibles							
Goodwill	P 1,550,106	P 523,866	P -	P -	P -	P -	P 2,073,972
Intangible asset - service concession right	3,400,354	20,046	(338,031)	-	144,167	-	3,226,536
B. Other Noncurrent Assets							
Input VAT and tax credit receivable	5,726,083		(975,744)	-	-	-	4,750,339
Intangible assets:							
Franchise	2,956,576	-	(76,961)	-	-	-	2,879,615
Project development costs	322,412	120,871	-	-	(149,212)	-	294,071
Land use right	-		-	-		-	-
Customer contracts	94,786	-	(15,409)	-		-	79,377
Software and licenses	44,928	56,694	(15,498)	-		-	86,124
Prepaid rent and other deposits	906,057	-	(31,927)	-		-	874,130

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE E - LONG-TERM DEBT

AS OF DECEMBER 31, 2015
(Amounts in Thousands)

Name of Issuer and Type of Obligation	Amount Authorized by Indentures	Amount Shown as Current	Amount Shown as Long-Term	Remarks
Parent Company:				
First Metro Investment Corporation	8,000,000	-	8,000,000	
BPI Capital Corporation	24,000,000	-	24,000,000	
Subsidiaries:				
Aboitiz Power Corporation	9,911,224	-	9,911,224	
Hedcor, Inc.	715,670	89,050	626,620	
Hedcor Bukidnon, Inc.	3,108,752	-	3,108,752	
Davao Light & Power Company, Inc.	1,188,000	156,000	1,032,000	
Subic Enerzone Corporation	339,000	56,500	282,500	
Pagbilao Energy Corporation	6,648,773	-	6,648,773	
Luzon Hydro Corporation	1,553,119	256,763	1,296,356	
Therma South, Inc.	24,819,102	1,576,242	23,242,860	
Therma Visayas, Inc.	8,275,112	-	8,275,112	
Visayan Electric Company	1,578,672	203,606	1,375,066	
Cotabato Light and Power Company	237,600	30,000	207,600	
Pilmico Foods Corporation	2,846,754	12,988	2,833,766	

ABOITIZ EQUITY VENTURES, INC.

SCHEDULE H - CAPITAL STOCK

AS OF DECEMBER 31, 2015
(Amounts in Thousands)

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	Number of Shares Reserved for Options, Warrants, Conversions, and Other Rights	Number of Shares Held By		
				Affiliates	Directors, Officers and Employees	Others
COMMON SHARES	9,600,000	5,554,267	-	2,735,759	25,454	2,793,054
PREFERRED SHARES	400,000	-	-	-	-	-

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE I - TRADE AND OTHER RECEIVABLES FROM RELATED PARTIES
WHICH ARE ELIMINATED DURING THE CONSOLIDATION
OF FINANCIAL STATEMENTS

AS DECEMBER 31, 2015
(Amounts in Thousands)

	Balances			Volume			
Related Party	**Trade**	**Non-trade**	**Total**	**Sales**	**Rental**	**Advances**	**Terms**
Pilmico Foods Corporation	**P 138,778**	P -	P 138,778	P 434,003	P 157	P -	30 days
Pilmico Animal Nutrition Corporation	**1,611**	-	1,611	6,785	16	-	30 days
Filagri, Inc.	**2**	-	2	24	-	-	30 days
AEV Aviation, Inc.	**919**	-	919	1,973	-	-	30 days
Cebu Praedia Development Corporation	**91**	-	91	1,166	-	-	30 days
Aseagas Corporation	**1,202**	-	1,202	5,422	17	-	30 days
APO Agua Infrastructura, Inc.	**175**	-	175	194	-	-	30 days
PETNET, Inc.	**31**	-	31	40	-	-	30 days
Aboitiz Power Corporation	**40,758**	-	40,758	102,623	4,118	-	30 days
Davao Light and Power Co., Inc.	**31,986**	-	31,986	47,237	51	-	30 days
Cotabato Light and Power Co., Inc.	**990**	-	990	8,631	4	-	30 days
Cotabato Ice Plant, Inc.	**(717)**	-	(717)	-	-	-	30 days
Subic Enerzone Corporation	**900**	-	900	1,189	-	-	30 days
Mactan Enerzone Corporation	**168**	-	168	616	-	-	30 days
Balamban Enerzone Corp.	**217**	-	217	510	-	-	30 days
Lima Enerzone Corporation	**58**	-	58	424	-	-	30 days
Cebu Private Power Corporation	**546**	-	546	1,460	91	-	30 days
San Fernando Electric Light & Power Co.	**1,930**	-	1,930	9,814	-	-	30 days
East Asia Utilities Corp.	**786**	-	786	1,515	-	-	30 days
AP Energy Solutions, Inc.	**567**	-	567	2,261	15	-	30 days
RP Energy, Inc.	**8**	-	8	-	-	-	30 days
Advent Energy, Inc.	**243**	-	243	1,640	-	-	30 days
Abovant, Inc.	**-**	-	-	191	-	-	30 days
Therma Power, Inc.	**439**	-	439	968	-	-	30 days
Therma Power Visayas, Inc.	**3,305**	-	3,305	21,266	-	-	30 days
Therma Luzon, Inc.	**2,077**	-	2,077	10,012	-	-	30 days
Therma South, Inc.	**3,518**	-	3,518	26,917	-	-	30 days
Therma Mobile, Inc.	**1,030**	-	1,030	3,205	-	-	30 days
Therma Marine, Inc.	**(132)**	-	(132)	2,987	-	-	30 days

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE J- TRADE AND OTHER PAYABLES TO RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

AS DECEMBER 31, 2015
(Amounts in Thousands)

Related Party	Balances			Volume			Terms
	Trade	Non-trade	Total	Purchases	Rental	Advances	
AEV Aviation, Inc.	P -	P 770	P 770	P -	P 21,063	P -	on demand
Cebu Praedia Development Corporation	-	1,426	1,426	-	7,826	-	on demand

Aboitiz Equity Ventures, Inc.
32nd Street, Bonifacio Global City
Taguig City, Metro Manila

Statement of Reconciliation of Retained Earnings Available for Dividend Declarati
For the year ended December 31, 2015
(Amounts in Philippine Currency and in Thousands)

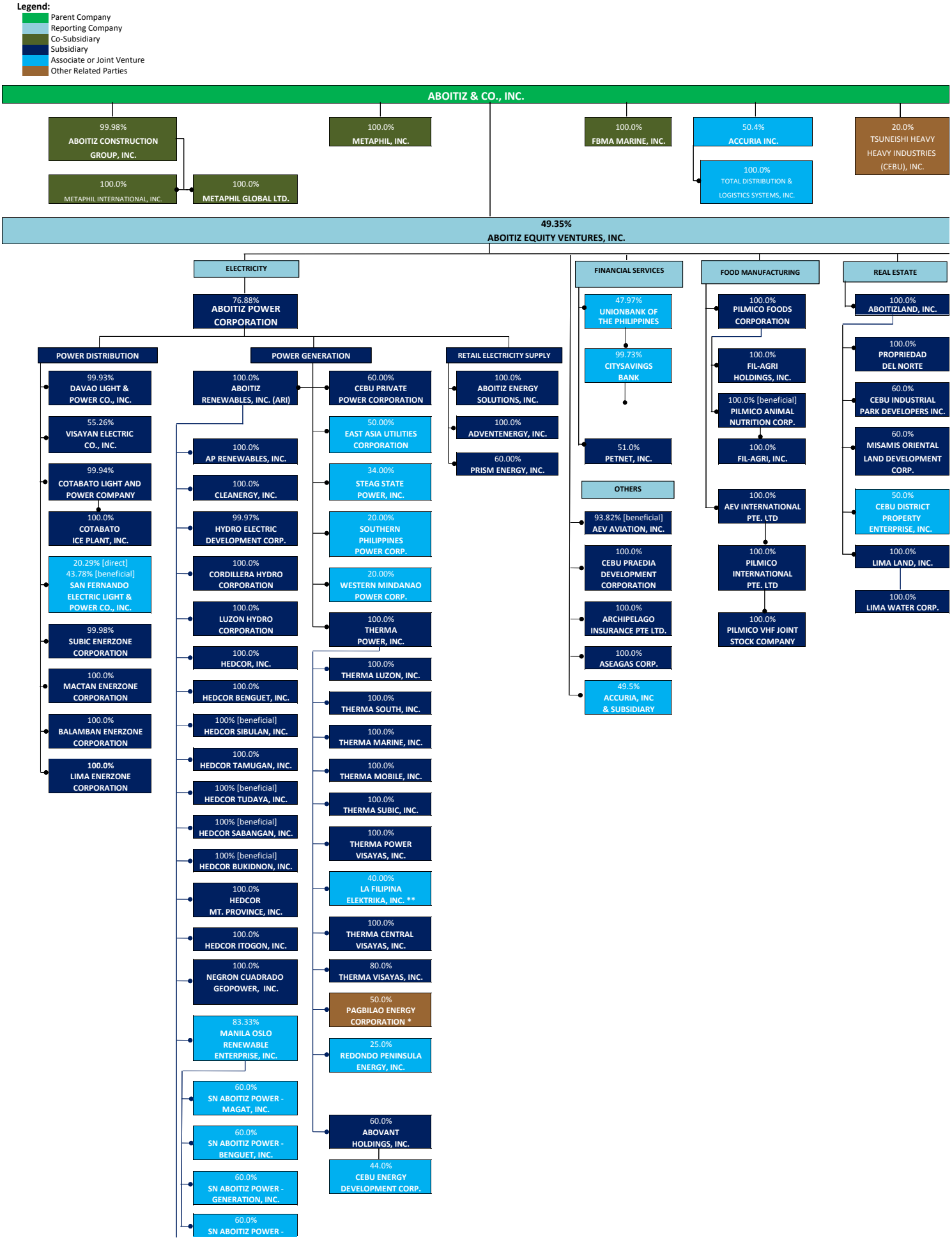
Unappropriated Retained Earnings, beginning	
Adjustments:	
Less:	**Unrealized income, net of tax**
	Unrealized foreign exchange gains - net (except those attributable to Cash and Cash Equivalents)
Add:	**Effect of changes in accounting for employee benefits (PAS 19)**
Less:	**Adjustments directly made to retained earnings:**
	Treasury Shares
Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning	
Net Income based on the face of audited financial statements	
Less:	**Unrealized income, net of tax**
	Unrealized foreign exchange gains - net (except those attributable to Cash and Cash Equivalents)
Net Income Realized	
Less:	**Adjustments directly made to retained earnings:**
	Cash dividends paid
	Treasury Shares sold
Retained Earnings available for Dividend, as of year-end	

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE OF RELEVANT FINANCIAL RATIOS

	FORMULA	DEC 2014	DEC 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	2.35	2.41
SOLVENCY RATIOS			
Debt to equity ratio	Total liabilities / Total equity	1.08	1.31
Asset to equity ratio	Total assets / Total equity	2.08	2.31
Net debt to equity ratio	(Debt - cash & cash equivalents) / Total equity	0.50	0.66
Gearing ratio	(Debt - cash & cash equivalents) / (Total equity + (Debt - cash & cash equivalents))	33.52%	39.88%
Interest coverage ratio	EBIT / Net interest expense	5.44	5.22
PROFITABILITY RATIOS			
Operating Margin	Operating Profit / Total revenues	22.3%	24.6%
Return on Equity	Net income after tax / Total equity	20.45%	17.07%

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES
CONGLOMERATE MAPPING
As of December 31, 2015



Aboitiz Equity Ventures, Inc. and Subsidiaries

Schedule of Philippine Financial Reporting Standards and Interpretations
Effective as of December 31, 2015

Standards and Interpretations		Remarks
Philippine Financial Reporting Standards (PFRS)		
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	Adopted
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	Not Applicable
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters	Not Applicable
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters	Not Applicable
	Amendments to PFRS 1: Government Loans	Not Applicable
PFRS 2	Share-based Payment	Not Applicable
	Amendments to PFRS 2: Vesting Conditions and Cancellations	Not Applicable
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	Not Applicable
	Amendments to PFRS 2: Definition of Vesting Condition	Not Applicable
PFRS 3 (Revised)	Business Combinations	Adopted
	Amendments to PFRS 3: Accounting for Contingent Consideration in a Business Combination	Adopted
	Amendments to PFRS 3: Scope Exceptions for Joint Ventures	Adopted
PFRS 4	Insurance Contracts	Adopted
	Amendments to PFRS 4: Financial Guarantee Contracts	Adopted
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	Adopted
	Amendment to PFRS 5: Changes in Methods of Disposal	See footnote[1]
PFRS 6	Exploration for and Evaluation of Mineral Resources	Not Applicable
PFRS 7	Financial Instruments: Disclosures	Adopted
	Amendments to PFRS 7: Transitions	Adopted
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	Adopted
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	Adopted
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	Adopted
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	Adopted
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	Adopted
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	See footnote[1]
	Amendments to PFRS 7: Servicing Contracts	See footnote[1]
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements	See footnote[1]
PFRS 8	Operating Segments	Adopted
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	Adopted
PFRS 9	Financial Instruments: Classification and Measurement of Financial Assets	Not Early Adopted
	Financial Instruments: Classification and Measurement of Financial Liabilities	Not Early Adopted
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	See footnote[1]
	PFRS 9, Financial Instruments (Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39)	See footnote[1]
	PFRS 9, Financial Instruments (2014 or final version)	See footnote[1]
PFRS 10	Consolidated Financial Statements	Adopted
	Amendments to PFRS 10: Transition Guidance	Adopted
	Amendments to PFRS 10: Investment Entities	Adopted
	Amendments to PFRS 10: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	See footnote[1]
	Amendments to PFRS 10: Investment Entities: Applying the Consolidation Exception	See footnote[1]

PFRS 11	Joint Arrangements	Adopted
	Amendments to PFRS 11: Transition Guidance	Adopted
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations	See footnote[1]
PFRS 12	Disclosure of Interests in Other Entities	Adopted
	Amendments to PFRS 12: Transition Guidance	Adopted
	Amendments to PFRS 12: Investment Entities	Adopted
	Amendments to PFRS 12: Investment Entities: Applying the Consolidation Exception	See footnote[1]
PFRS 13	Fair Value Measurement	Adopted
	Amendments to PFRS 13: Short-term Receivables and Payables	Adopted
	Amendments to PFRS 13: Portfolio Exception	Adopted
PFRS 14	Regulatory Deferral Accounts	See footnote[1]

Philippine Accounting Standards (PAS)

PAS 1 (Revised)	Presentation of Financial Statements	Adopted
	Amendment to PAS 1: Capital Disclosures	Adopted
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	Adopted
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	Adopted
	Amendment to PAS 1: Disclosure Initiative	See footnote[1]
PAS 2	Inventories	Adopted
PAS 7	Statement of Cash Flows	Adopted
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	Adopted
PAS 10	Events after the Reporting Period	Adopted
PAS 11	Construction Contracts	Adopted
PAS 12	Income Taxes	Adopted
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	Adopted
PAS 16	Property, Plant and Equipment	Adopted
	Amendments to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Amortization	Adopted
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization	See footnote[1]
	Amendments to PAS 16: Bearer Plants	See footnote[1]
PAS 17	Leases	Adopted
PAS 18	Revenue	Adopted
PAS 19 (Amended)	Employee Benefits	Adopted
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	Adopted
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions	Adopted
	Amendment to PAS 19: Discount Rate: Regional Market Issue	See footnote[1]
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance	Not Applicable
PAS 21	The Effects of Changes in Foreign Exchange Rates	Adopted
	Amendment: Net Investment in a Foreign Operation	Adopted
PAS 23 (Revised)	Borrowing Costs	Adopted
PAS 24 (Revised)	Related Party Disclosures	Adopted
	Amendments to PAS 24: Key Management Personnel Services	Adopted
PAS 26	Accounting and Reporting by Retirement Benefit Plans	Adopted
PAS 27 (Amended)	Separate Financial Statements	Adopted
	Amendments to PAS 27 (Amended): Investment Entities	Adopted
	Amendments to PAS 27: Equity Method in Separate Financial Statements	See footnote[1]
PAS 28 (Amended)	Investments in Associates and Joint Ventures	Adopted
	Amendments to PAS 28: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	See footnote[1]
	Amendments to PAS 28, Investment Entities: Applying the Consolidation Exception	See footnote[1]
PAS 29	Financial Reporting in Hyperinflationary Economies	Not Applicable
PAS 32	Financial Instruments: Disclosure and Presentation	Adopted

	Financial Instruments: Presentation	Adopted
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	Adopted
	Amendment to PAS 32: Classification of Rights Issues	Adopted
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	Adopted
PAS 33	Earnings per Share	Adopted
PAS 34	Interim Financial Reporting	Adopted
	Amendment to PAS 34: Disclosure of Information 'Elsewhere in the Interim Financial Report'	See footnote[1]
PAS 36	Impairment of Assets	Adopted
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-financial Assets	Adopted
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	Adopted
PAS 38	Intangible Assets	Adopted
	Amendments to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization	Adopted
	Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	See footnote[1]
PAS 39	Financial Instruments: Recognition and Measurement	Adopted
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	Adopted
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	Adopted
	Amendments to PAS 39: The Fair Value Option	Adopted
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	Adopted
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	Adopted
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	Adopted
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives	Adopted
	Amendment to PAS 39: Eligible Hedged Items	Adopted
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting	Adopted
PAS 40	Investment Property	Adopted
	Amendments to PAS 40: Clarifying the Interrelationship Between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-occupied Property	Adopted
PAS 41	Agriculture	Adopted
	Amendments to PAS 41: Bearer Plants	See footnote[1]

Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)

IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	Adopted
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments	Not Applicable
IFRIC 4	Determining Whether an Arrangement Contains a Lease	Adopted
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	Not Applicable
IFRIC 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	Not Applicable
IFRIC 7	Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies	Not Applicable
IFRIC 9	Reassessment of Embedded Derivatives	Adopted
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives	Adopted
IFRIC 10	Interim Financial Reporting and Impairment	Adopted
IFRIC 12	Service Concession Arrangements	Adopted
IFRIC 13	Customer Loyalty Programmes	Adopted
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	Adopted
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement	Adopted
IFRIC 15	Agreements for the Construction of Real Estate	Effective date deferred
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	Not Applicable
IFRIC 17	Distributions of Non-cash Assets to Owners	Adopted

IFRIC 18	Transfers of Assets from Customers	Adopted
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	Adopted
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	Not Applicable
IFRIC 21	Levies	Adopted

Philippine Interpretations - Standing Interpretations Committee (SIC)

SIC 7	Introduction of the Euro	Not Applicable
SIC 10	Government Assistance - No Specific Relation to Operating Activities	Not Applicable
SIC 15	Operating Leases - Incentives	Adopted
SIC 25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders	Adopted
SIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	Adopted
SIC 29	Service Concession Arrangements: Disclosures	Adopted
SIC 31	Revenue - Barter Transactions Involving Advertising Services	Not Applicable
SIC 32	Intangible Assets - Web Site Costs	Adopted

International Financial Reporting Standards

IFRS 15	Revenue from Contracts with Customers	See footnote[2]

[1] Effective subsequent to December 31, 2015

[2] New standard issued by the IASB but has not yet been adopted by the FRSC.