

April 15, 2014

SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA Greenhills,
Mandaluyong City, Metro Manila

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

PHILIPPINE STOCK EXCHANGE, INC.

3rd Floor, Philippine Stock Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City

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

PHILIPPINE DEALING & EXCHANGE CORP.

Market Regulatory Services Group
37/F, Tower 1, The Enterprise Center
6766 Ayala Avenue corner Paseo de Roxas
Makati City

ATTENTION : **MS. MA. CONCEPCION M. MAGDARAOG**
Issuer Compliance and Disclosures Department

Gentlemen:

We file herewith three (3) original copies of the SEC Form 17-A (Annual Report 2013) of Aboitiz Equity Ventures, Inc. in compliance with the Commission's directive.

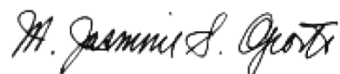
Kindly acknowledge receipt hereof.

Thank you.

Very truly yours,

ABOITIZ EQUITY VENTURES, INC.

By



M. JASMINE S. OPORTO

Corporate Secretary

COVER SHEET

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S.E.C. Registration Number

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(Company's Full Name)

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

M. JASMINE S. OPORTO									
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Contact Person

(02) 793-2729									
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Company Telephone Number

2013 Annual Report

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Month Day

Fiscal Year

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FORM TYPE

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Month Day

Annual Meeting

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Secondary License Type, if Applicable

S	E	C
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Dept. Requiring this Doc

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Amended Articles Number/Section

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Total No. of Stockholders

X

Domestic

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Foreign



To be accomplished by SEC Personnel concerned

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File Number

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(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 2013, aggregate voting stock of registrant held outside of its affiliates and/or officers and employees totaled 3,270,308 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 P54.55.

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 P178,395,301.40.

**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 November 8, 2013, the Company filed its Prospectus with the Securities and Exchange Commission in relation to its Ten Billion Fixed Rate Peso Retail Bonds with tenors of seven and ten years (the "Bonds"). SEC issued the Order of Registration and a Certificate of Permit to Sell Securities on November 11, 2013 and the Bonds were offered to the public on the same day until November 15, 2013.

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

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.

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

(2) Business of Issuer

(i) Products

As of December 31, 2013, 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) portfolio investments (parent company/others).

Based on the SEC parameters of what constitutes a significant Subsidiary under Item XX of Annex "B" of SRC Rule 12, 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.)

POWER GENERATION AND DISTRIBUTION

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, 2014.

The Aboitiz Group's involvement in the power industry began when members of the Aboitiz family acquired 20% ownership interest in 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. In July 1946, the Aboitiz Group strengthened its position in power distribution in Southern Philippines when it acquired Davao Light, which is now the third largest privately-owned electric utility in the Philippines in terms of customers and annual gigawatt-hour 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) and 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 BOT agreement with 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.

In December 2006, AboitizPower and its partner, Statkraft Norfund Power Invest AS (SN Power) of Norway, through SN Aboitiz Power - Magat submitted the highest bid for the 360-MW Magat hydroelectric plant auctioned by 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 equity interest 55% ownership 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 DavaoLight and in CotabatoLight. DavaoLight 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, which manages the Power Distribution System (PDS) of the Subic Bay Metropolitan Authority; and
- An effective 44% ownership interest in San Fernando Electric, 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, entered into a memorandum of agreement 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 June 2011, Therma Power entered into a Shareholders Agreement with TCIC and Meralco PowerGen Corporation (MPGC) to formalize MPGC's participation in the Subic Coal Project. On July 22, 2011, MPGC acquired a majority interest in RP Energy through a Share Purchase Agreement (SPA) with TCIC and TPI. MPGC took the controlling interest in RP Energy, while TCIC and Therma Power maintained the remaining stake equally. Commercial operation of the Subic Coal Project is projected to commence in 2014.

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 MEPZ I in Mactan Island, Cebu.

On the same date, AboitizPower 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, a 100% interest in Mactan Enerzone Corporation (MEZ), which owns and operates the PDS in MEPZ II in Mactan Island, Cebu, and a 60% interest in Balamban Enerzone Corporation (BEZ), which owns and operates the PDS in WCIP-SEZ in Balamban, in the western part of Cebu. AboitizPower also consolidated its ownership interests in Subic Enerzone Corporation (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 AboitizPower'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 memorandum of agreement with Global Business Power Corporation (Global Power) of the Metrobank Group for the construction and operation of a 3 x 82-MW coal-fired power plant in Toledo City, Cebu. AboitizPower, together with the Garcia Group, formed Abovant Holdings, Inc. (Abovant), of which AboitizPower owns 60%. The project, which was undertaken by Cebu Energy Development Corporation (Cebu Energy), a joint venture among Global Power, Formosa Heavy Industries and Abovant, broke ground in January 2008 and started full commercial operations on February 26, 2011. AboitizPower has an effective participation of 26.40% in the project.

On November 15, 2007, AboitizPower closed the purchase of a 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 is US\$102 mn, inclusive of interests.

On November 28, 2007, SN Aboitiz Power – Benguet, Inc., a consortium between AboitizPower and SN Power, 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 THI in BEZ for approximately ₱178 mn. The acquisition brought AboitizPower's total equity in BEZ to 100%.

On May 26, 2009, AP Renewables, Inc., 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, a wholly-owned Subsidiary of AboitizPower, won the competitive bid for the appointment of the Independent Power Producer Administrator (IPP Administrator) 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 IPP Administrator in the country. As IPP Administrator, 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 wholly-owned Subsidiary, Therma Marine, Inc., assumed ownership over Mobile 1 and Mobile 2 on February 6, 2010 and March 1, 2010, respectively. The two power barges were acquired 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, a wholly-owned 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, the 100 MW barge-mounted plants started their commercial operations.

The plants that are capable of producing the remaining 142 MW are still under rehabilitation as of December 31, 2013.

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

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 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 AboitizPower to leverage its experience in renewable energy and help maintain the 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. ARI owns equity interests in the following generation companies:

- 100% equity interest in APRI, which owns the Tiwi-MakBan geothermal facilities;
- 50% effective interest in SN Aboitiz Power-Magat, which operates the 360-MW Magat hydroelectric plant in Isabela in northern Luzon;
- 50% effective interest in SN Aboitiz Power-Benguet, which operates the 231-MW Ambuklao-Binga hydroelectric power plant complex in northern Luzon;
- 100% equity interest in LHC, which operates the 70-MW Bakun AC hydroelectric plant in Ilocos Sur in northern Luzon;

- 100% equity interest in Hedcor, Inc., which operates 16 mini-hydroelectric plants (plants with less than 10 MW in installed capacity) in Benguet province in Northern Luzon and in Davao City in Southeastern Mindanao with a total installed capacity of 42 MW;
- 100% equity interest in Hedcor Sibulan, Inc. (Hedcor Sibulan), which operates the 42.5-MW Sibulan hydroelectric plants in Santa Cruz, Davao del Sur total capacity from Hedcor Sibulan is expected to increase by 7 MW upon the completion of a new power plant.
- 100% equity interest in Hedcor Tamugan, Inc. (Hedcor Tamugan), which proposes to build a 12-MW Tamugan hydropower project along the Tamugan River in Davao City;
- 100% controlling interest in Hedcor Tudaya, Inc. (Hedcor Tudaya), which is the project company organized to build the 6.6-MW Tudaya 2, a run-of-river hydropower project in Santa Cruz, Davao del Sur; and
- 100% controlling interest in Hedcor Sabangan, Inc. (Hedcor Sabangan), which proposes to build the 14-MW Sabangan run-of-river hydropower project in Sabangan, Mountain Province.

AP Renewables, Inc. (APRI)

APRI is one of the country's leading renewable power companies. It is a wholly-owned subsidiary of ARI that acquired the Tiwi-MakBan geothermal facilities located at Tiwi, Albay, Bay and Calauan, Laguna and Sto. Tomas, Batangas from PSALM in May 2009. The two complexes have a total potential capacity of 693.20 MW.

As geothermal power plants, Tiwi and MakBan produce clean energy that is reasonable in cost, efficient in operation and environment-friendly. With the continuous advancement in technology, APRI has set its vision to operate and maintain the Tiwi and MakBan geothermal complexes in accordance with the highest professional standards of world-class independent power producers operating in a merchant market.

The Asset Purchase Agreement (APA) between APRI and PSALM required APRI to rehabilitate units 5 and 6 of the MakBan geothermal complex at its own cost and expense, which must be accomplished and completed within four years from closing of the APA in May 2009. To date, APRI has successfully completed the refurbishment activity of the 14 generation units at the Tiwi and MakBan facilities. The last two remaining units to undergo refurbishment activities, units 5 and 6, were successfully tested in March 2013 for 72 hours, at full load per the requirements of the APA. The successful completion of the performance tests triggered the return of the Miscellaneous Bond and the assignment of the GRSC to APRI. Significant improvements in reliability and steam usage efficiency have been realized following the completion of the refurbishment activities.

APRI is registered with the Board of Investments (BOI) as new operator of the Tiwi-MakBan geothermal complex on pioneer status with six years income tax holiday starting June 19, 2009. Pursuant to the RE Law, APRI received a Geothermal Renewable Energy Operating Contract with the DOE in 2009 which extended its entitlement to income tax holiday by one year.

On May 26, 2013, APRI's steam supply contract with Philippine Geothermal Production Co., Inc. (PGPC) shifted to GRSC. The change is due to an existing provision under the government's existing contract with Chevron 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 PGPC will be at a premium to coal. Due to competition from coal plants, the contracts of APRI mimic that of coal plants, including the proportion of fuel to total cost of power.

APRI entered into an Interim Agreement to modify the GRSC. This was implemented on August 14, 2013. This agreement resulted in a lower fuel cost during off-peak hours, thus allowing AboitizPower

to maximize sales even during this period. The Interim Agreement, which is subject to extension by mutual agreement, has been extended until April 25, 2014. The parties continue to discuss the merit and feasibility of mutually beneficial steam off-take arrangements.

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. On December 14, 2006, SN Aboitiz Power – Magat won the bid for the 360-MW Magat hydroelectric power plant (Magat Plant) conducted by PSALM.

Magat Plant, which is located at the border of Isabela and Ifugao provinces in northern Luzon, was completed in 1983. As a hydroelectric facility that can be started up in a short period of time, 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 Magat Plant operation allows for the generation and sale of electricity at the peak demand hours of the day. 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 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 Wholesale Electricity Spot Market (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, Nordic Investment Bank, BDO–EPCI, Inc., Bank of the Philippine Islands, 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 as well as 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 the advances it made from its shareholders that 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 BOI approval of its application as new operator of the Magat Plant with a pioneer status, which approval entitles it to an income tax holiday until July 12, 2013. On November 16, 2012, the BOI approved SN Aboitiz Power – Magat's application for a one year extension of its income tax holiday until July 11, 2014.

After 25 years of operations without any major rehabilitation works done on the generating units and considering the age and results of technical assessments, SN Aboitiz Power – Magat has embarked on a refurbishment program for all major plant equipment for the period 2009 to 2014. The main objective is to put back the lost efficiency and address operational difficulties due to obsolescence. The project will preserve the remaining life and the continuance of its availability for the next 25 years.

Unit 3 was refurbished from March to August 2013, which refurbishment includes the replacement of power transformer and bus bars, upgrade of control system and installation of on-line monitoring system for the generator.

Acceptance of the Magat Plant's AS nomination decreased in 2013 mainly due to the implementation of a new AS Procurement Agreement (ASPA) and changes in NGCP's approval protocol. This reduced the plant's sold capacity by 41% in 2013 as compared to 2012.

The capability of SN Aboitiz Power – Magat as AS provider was re-certified in September 2013. In 2013, SN Aboitiz Power – Magat delivered 925,200 MWh of AS amounting to ₱2.969 bn. In March 2013, SN Aboitiz Power – Magat and NGCP signed an ASPA for firm contracted capacities covering regulating and contingency reserves at 155 MW. The ASPA also provides for additional ancillary reserved services for the balance of Magat Plant's capacity. The ASPA is valid for three years from the issuance of a provisional or final approval by the ERC. The ERC has issued a Provisional Authority (PA) in relation to the new ASPA, paving the way for the implementation thereof starting July 26, 2013.

In terms of Greenfield development, SN Aboitiz Power – Magat has initiated a development pipeline of 740 MW of medium to large hydropower projects. These projects are in the process of securing permits and licenses and are undergoing feasibility assessment.

SN Aboitiz Power – Magat also secured the renewable energy service contract for the Maris Main Canal Hydro Projects 1 and 2 with a total of 7.75 MW.

For 2013, SN Aboitiz Power – Magat remitted ₱34.1 mn and ₱45 mn to the LGUs of Isabela and Ifugao, respectively, as real property tax. Moreover, SN Aboitiz Power – Magat also paid ₱8.5 mn and ₱17.5 mn to the LGUs of Alfonso Lista and Ramon, respectively, as local business tax.

Magat Plant passed the Certificated Audit for the second cycle of the ISO 9001 Quality Management System in September 2013. It also maintained certification of its Environmental Management System (ISO 14001) and Occupational Health & Safety Management System (OHSAS 18001) by passing the respective surveillance audits in June and September 2013.

SN Aboitiz Power – Magat won first runner-up in the Mother Nature Category during the annual Pollution Control Association of the Philippines, Inc. (PCAPI) Awards in April 2013. The Mother Nature Award is given to companies that have designed and successfully implemented a sound Environmental Management System, instituted comprehensive environmental management programs, and hold a sterling track record of community-related projects.

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

On November 28, 2007, SN Aboitiz Power-Benguet, also a consortium between ARI and SN Power, submitted the highest bid to PSALM for the Ambuklao-Binga hydroelectric power complex, which consists of the 75-MW Ambuklao hydroelectric power plant (HEPP) located in Bokod, Benguet (the "Ambuklao Plant") and the 100-MW Binga HEPP located in Itogon, Benguet (the "Binga Plant"). The Ambuklao-Binga hydroelectric power complex was turned over to SN Aboitiz Power-Benguet on July 10, 2008.

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 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 shareholders with respect to the acquisition of the assets.

The Binga Plant obtained an income tax holiday extension from the Board of Investments on November 28, 2012, which will be effective until August 12, 2014; and the Ambuklao Plant also obtained an income tax holiday extension on March 13, 2013, which will be valid until July 2016.

Last 2012 marked the first year that the Ambuklao Plant has re-operated, following its rehabilitation from 2008 to 2011. The plant had been shut down and under preservation since 1999 due to damage from the 1990 earthquake. In 2012, Ambuklao generated 358,584 MWh, registered a forced outage factor of 0.01% and availability factor of 96.36%.

SN Aboitiz Power-Benguet received a Certificate of Compliance (COC) from the ERC in September 2013 for its rehabilitated Binga Plant. The rehabilitation project commenced in May 2010 with the construction of a new headrace and intake. The project also included the modernization of plant control systems, replacement of electro-mechanical components, and installation of new auxiliary equipment. Each of the four units was taken down and replaced with new turbines, generators, and main inlet valves. To keep the plant in operation, unit rehabilitation was done one at a time. Rehabilitation of Unit 4 was done in 2011 followed by Units 1 and 3 in 2012. The rehabilitation of the remaining unit (Unit 2) was completed in July 2013. From its original capacity of 100 MW, the Binga Plant now has a nameplate capacity of 125 MW but is capable of generating up to 132 MW. The Binga Plant rehabilitation was completed a year ahead of schedule, with no major environmental incidents.

The Binga Plant's sold capacity increased by 25% (13% increase in spot energy generation and 40% increase in AS) in 2013 mainly due to the completion of the refurbishment activities. The capability of the Binga Plant as AS provider was re-certified in June 2013. Last year, the Binga Plant delivered 582,005 MWh of AS amounting to ₱2.565 bn.

On the other hand, sold capacity factor of Ambuklao Plant is almost unchanged at 39% even if the water inflow to the reservoir decreased by 8%.

In March 2013, SN Aboitiz Power-Benguet and NGCP signed an AS Procurement Agreement involving the Ambuklao Plant for firm contracted capacities covering regulating and contingency reserves at 95 MW. The ASPA also provides for additional ancillary reserved services for the balance of Ambuklao Plant's capacity. The ASPA is valid for three years from the issuance of a provisional or final approval by the ERC. A provisional approval from the ERC has been obtained, paving the way for the implementation of SN Aboitiz Power-Benguet's new ASPA for the Ambuklao Plant starting July 26, 2013.

Ambuklao Plant passed the Certificated Audit for the ISO 9001 Quality Management System in September 2013. It also maintained a certification of its Occupational Health & Safety Management System (OHSAS 18001) by passing the surveillance audit in August 2013. Binga Plant maintained its certification of ISO 9001 and was also OHSAS 18001 re-certified with the successful audits held in June and August 2013, respectively.

Although a PA from the ERC has been obtained, the ASPA involving Ambuklao Plant was not implemented due to some tests that need to be completed prior to the provision of AS at low loads.

Luzon Hydro Corporation (LHC)

Up until May 10, 2011, LHC was ARI's joint venture with Pacific Hydro Pty. Ltd. (Pacific Hydro) of Australia, a privately-owned Australian company that specializes in developing and operating power projects that use renewable energy sources, principally water and wind power.

On March 31, 2011, ARI, LHC and Pacific Hydro signed a Memorandum of Agreement (MOA) to give ARI full ownership over LHC. Effective May 10, 2011, ARI assumed full ownership and control of LHC 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, Aliilem, Ilocos Sur (the "Bakun Plant"). The hydropower plant was constructed and is

being operated under the government's BOT scheme. Energy produced by the plant, approximately 254 GWh annually, is delivered and taken up by NPC pursuant to a power purchase agreement (the "Bakun PPA") and dispatched to the Luzon grid through 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 IPP Administrator contract for the Bakun Plant following a competitive bidding process conducted by PSALM.

Hedcor, Inc. (Hedcor)

Hedcor 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. Hedcor currently owns, operates and/or manages run-of-river hydropower plants in northern Luzon and Davao City with a combined installed capacity of 42 MW. The electricity generated from Hedcor's hydro plants are taken up by NPC, APRI, Davao Light and Benguet Electric Cooperative (BENECO) pursuant to power purchase agreements with the said off takers, and the rest are sold through the WESM.

During the full years 2012 and 2013, Hedcor's hydropower plants generated a total of 168 GWh and 160 GWh of electricity, respectively. 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.

Hedcor used to have 50% equity interest in LHC until it transferred its equity stake to its parent company, ARI, through a property dividend declaration in September 2007.

Hedcor Sibulan, Inc. (Hedcor Sibulan)

Hedcor Sibulan, a wholly-owned subsidiary of ARI, is the project company for the Sibulan hydropower project (the "Sibulan Project"). The Sibulan Project, which broke ground on June 25, 2007, entailed the construction of two runof- river hydropower plants, Sibulan A and Sibulan B, harnessing the Sibulan and Baroring rivers in Santa Cruz, Davao del Sur. The 26-MW Sibulan B started commercial operations in March 2010. The 16.5-MW Sibulan A was completed in September 2010.

Hedcor Sibulan is part of a consortium that won the competitive bidding for the 12-year 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 CDM project with the United Nations Framework Convention on Climate Change (UNFCCC) under the Kyoto Protocol. The project was issued 136,000 tons of carbon credits which will eventually be sold in the carbon market. Hedcor Sibulan delivered a total of 231 GWh to the Mindanao Grid in 2012.

Hedcor Sibulan is also the project company of the 6.7-MW Tudaya 1 hydropower plant which is currently being constructed upstream of Sibulan A's pondage. The estimated project cost is ₱1.1 bn and is expected to be completed in February 2014.

Hedcor Tamugan, Inc. (Hedcor Tamugan)

Hedcor Tudaya, a Subsidiary of ARI, is the project company organized to build the 7-MW Tudaya 2 run-of-river hydropower plant in Astorga, Santa Cruz, Davao del Sur. After securing the Renewable Energy Service Contract with the DOE in May 2012 and all other permits, the project broke ground in June 2012. Hedcor Tudaya was awarded the Confirmation of Commerciality as Feed-In Tariff (FIT) Eligible plant by the DOE under Department Circular No. 2013-05-0009 pursuant to the RE Law.

Hedcor Tudaya intends to avail of the FIT mechanism. The project, which is estimated to cost ₱1.1 bn, is 95% complete and is expected to be completed in March 2014.

Hedcor Tudaya, Inc. (Hedcor Tudaya)

Hedcor Tudaya, a Subsidiary of ARI, is the project company organized to build the 7-MW Tudaya 2 run-of-river hydropower plant in Astorga, Santa Cruz, Davao del Sur. After securing the Renewable Energy Service Contract with the DOE in May 2012 and all other permits, the project broke ground in June 2012. Hedcor Tudaya was awarded the Confirmation of Commerciality as Feed-In Tariff (FIT) Eligible plant by the DOE under Department Circular No. 2013-05-0009 pursuant to the RE Law. Hedcor Tudaya intends to avail of the FIT mechanism. The project, which is estimated to cost ₱1.1 bn, is 95% complete and is expected to be completed in March 2014.

Hedcor Sabangan, Inc. (Hedcor Sabangan)

Hedcor Sabangan, a Subsidiary of ARI, is the project company organized to build the proposed 14-MW run-of-river hydropower project in Sabangan, Mountain Province. As part of the process of getting Free and Prior Informed Consent (FPIC) for the project required under the Indigenous Peoples' Rights Act of 1997 (IPRA), Hedcor Sabangan signed Memoranda of Agreement with the indigenous peoples of Barangays Namatec and Napua, the municipality of Sabangan and the Mountain Province in February, March and July 2011, respectively.

The project broke ground in June 2013, after it was granted all the permits and licenses in the first quarter of 2013. The estimated cost for this project is ₱1.7 bn. The project was awarded the Confirmation of Commerciality as FIT Eligible plant by the DOE under Department Circular No. 2013 05-0009 pursuant to the RE Law. Hedcor Sabangan intends to avail of the FIT mechanism.

Therma Power, Inc. (Therma Power)

Therma Power is AboitizPower's holding company for its non-renewable energy projects and has equity interests in the following generation companies:

- 100% equity interest in Therma Luzon, the IPP Administrator of the 700-MW contracted capacity of the Pagbilao Plant in Quezon Province;
- 100% equity interest in Therma Marine, owner and operator of Mobile 1 and 2, barge-mounted power plants, each with a generating capacity of 100-MW in Maco, Compostela Valley and Nasipit, Agusan del Norte;
- 100% controlling interest in Therma Mobile owner of Mobile 3 – 6, barge-mounted power plants with a total generating capacity of 242-MW in Navotas Fishport, Manila;
- 26% effective interest in Cebu Energy, which operates a 3 x 82-MW coal-fired power plant in Toledo City, Cebu;
- 100% controlling interest in Therma South, the project company that is currently building a 300-MW circulating fluidized bed coal-fired plant in Toril, Davao City;
- 100% equity interest in Therma Visayas, the project company that proposes to build a 300-MW coal-fired power plant in Toledo City, Cebu; and
- 25% equity interest in RP Energy, the project company that proposes to build and operate a 600-MW coal-fired power plant in Redondo Peninsula in the SBFZ.

Therma Luzon, Inc. (Therma Luzon)

Therma Luzon, a wholly-owned subsidiary of Therma Power, submitted the highest offer in the competitive bidding conducted by PSALM for the appointment of an IPP Administrator for the 700-MW contracted capacity of Pagbilao coal-fired thermal power plant located in Pagbilao, Quezon (the "Pagbilao Plant").

On October 1, 2009, Therma Luzon became the first IPP Administrator in the country when it assumed the role of the registered trader of the contracted capacity of the Pagbilao Plant. As IPP

Administrator, Therma Luzon is responsible for procuring the fuel requirements of and selling the electricity generated by the Pagbilao Plant. The Pagbilao Plant is being operated by TeaM Energy under a BOT scheme.

Over the past two years Therma Luzon's capacity was contracted to various cooperatives, private distribution utilities, and directly connected customers. The diversification of the customer base spreads the risk of Therma Luzon.

In March 2013, Therma Luzon signed an ASPA with NGCP covering firm contracted capacities for contingency reserves at 60 MW during off-peak hours for the Pagbilao plant. The ASPA is valid for three years from the issuance of a provisional or final approval by the ERC. Therma Luzon secured a provisional approval from ERC which paved the way for the implementation of Therma Luzon's new ASPA for the Pagbilao plant starting July 26, 2013. Nominations and acceptance of nominations are subject to renewal of the accreditation of the Pagbilao Plant as an AS provider.

Therma Marine, Inc. (Therma Marine)

Therma Marine, a wholly-owned subsidiary of Therma Power, owns and operates Power Barges Mobile 1 (previously known as PB 118) and Mobile 2 (previously known as PB 117) which have a total generating capacity of 200 MW. Mobile 1 is currently moored at Barangay San Roque, Maco, Compostela Valley, while Mobile 2 is moored at Barangay Sta. Ana, Nasipit, Agusan del Norte.

Therma Marine 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, Therma Marine signed a one-year ASPA with the 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 last February 5 and March 1, 2012 for Mobile 1 and Mobile 2, respectively. The 192.2-MW dependable capacities of Therma Marine are currently being sold to various cooperatives, industrial and commercial customers in Mindanao under Energy Supply Agreements (ESAs), all of which were approved by the ERC and are in effect. The ESAs are still outstanding up to the present and the new expiry dates will be in 2016 to 2017 with the recent contract extensions.

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

Abovant is a joint venture company incorporated on November 28, 2007 by Therma Power and Vivant Integrated Generation Corporation (VIGC) of the Garcia Group. Abovant is 60% owned by AboitizPower, through Therma Power, and 40% owned by VIGC.

Abovant and Global Formosa, a joint venture between Global Business Power Corporation of the Metrobank Group and Formosa Heavy Industries, Inc., formed Cebu Energy. Cebu Energy is the owner of the 3 x 82 MW circulating fluidized bed coal-fired power plant situated within the Toledo Power Complex in Barangay Daanlungsod, Toledo City, Cebu. With Abovant's 44% stake of Cebu Energy (Global Formosa owns the remaining 56%), AboitizPower's effective interest in the power plant is approximately 26.40%.

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 power generated from the power plant provided for the much needed security to the power supply in the province of Cebu.

Cebu Energy had signed an EPPA with VECO for the supply of 105 MW of electricity for 25 years. To date, it also has an EPPA with PEZA-MEZ I; Mactan Electric Company, Inc.; BEZ; Cebu I Electric Cooperative, Inc.; Cebu II Electric Cooperative, Inc.; Cebu III Electric Cooperative, Inc.; and Bohol Electric I Cooperative, Inc. On June 14, 2013, Cebu Energy entered into an EPPA with Global Energy

Supply Corporation, a RES, for the supply of electricity to the latter's customer, Taiheiyo Cement Philippines, Inc. All its EPPAs provided contracted minimum energy offtake with fuel as pass through.

Cebu Energy's additional power supply will be needed in Cebu with the influx of BPO companies and new hotels in the province and the presence in the Toledo-Balamban area of large industries such as Carmen Copper Corporation, the shipbuilding facility of THI, the modular fabrication facility of Austal Philippines Pty. Limited.

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 SPA with TPI, a wholly-owned Subsidiary of AboitizPower, and TCIC. In view of increasing power demand in the Luzon grid and with the entry of MPGC, RP Energy plans to expand its original proposal to build and operate a 300-MW coal-fired power plant in Redondo Peninsula within the SBFZ into a 2 x 300-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 circulating-fluidized-bed boilers, steam turbines, generators, and supporting auxiliaries that ultimately will be engaged as subcontractors by the selected EPC contractor. In November 2012, RP Energy garnered a Philippine Quill Award for its Corporate Social Responsibility (CSR) Projects.

Several milestones were achieved by RP Energy in the year 2013. The company's discussions with the Subic Bay Metropolitan Authority (SBMA) on certain improvements of the key provisions of the Lease and Development Agreement (LDA) have been substantially completed. The Anvil Award was bestowed upon RP Energy last February 2013 for its CSR Projects. In March 2013, RP Energy awarded the EPC contract to a consortium of Hyundai companies. The consortium started to work for the project through a Pre-Engineering Services Agreement (PESA). In April 2013, the BOI issued a Notice of Approval in favor of RP Energy in its application for registration with incentives, the certification being held in abeyance until the submission of proof of resolution of the Writ of Kalikasan case involving the company (which was appealed by the company to the Supreme Court last July 2013). In October 2013, the Connection Agreement was finalized by RP Energy and NGCP. It will be signed after completion of NGCP's review of the revised System Impact Study and Facilities Study prepared by RP Energy.

The estimated completion of the first unit will be sometime in late 2018. The total cost of the project is estimated at US\$1.47 bn.

Therma South, Inc. (Therma South)

Incorporated in November 18, 2008, Therma South is a wholly-owned Subsidiary of Therma Power and is the project company for the construction of the 300-MW circulating fluidized-bed coal-fired power plant in Barangay Binugao, Toril District, Davao City and Barangay Inawayan, Sta. Cruz, Davao del Sur.

Through Therma South's close engagement and consultation with key stakeholders, including the conduct of dialogues, road shows and information drives, the company has carefully explained the urgent need to build the plant in order to alleviate the worsening power supply situation in Davao and the entire Mindanao. It also gave firm assurances that the construction and operations of the plant will meet stringent national and international emission standards. These efforts led to the strong support for the project by the host barangays, business and professional organizations and civic groups. Ultimately, the project received the overwhelming endorsement of the local government units in the city of Davao and the municipality of Sta. Cruz in Davao del Sur.

On September 9, 2011, the DENR-EMB issued the ECC for the power project. In August 2011, Therma South acquired the land where the plant will be located. On February 15, 2012, the Department of Agrarian Reform released the conversion order for the land.

On April 10, 2012, upon receipt of all necessary permits, the site preparation contractor began clearing the site. In June 2012, the EPC contracts were executed with the Power Island contractor and the Balance of Plant contractor with an effective project start date of June 1, 2012.

As of December 2013, the construction progress of the above-mentioned plant continues to be on track. The overall project is approximately 67% complete, with back-feed power and initial commissioning activities due to start in the second quarter of 2014. Construction staff is over 2,500, many of whom are residents of the local communities. The construction of the first plant (with capacity of 150 MW) is on schedule and is expected to become operational in the first quarter of 2015. The second plant (with capacity of 150 MW) will be operational within three months thereafter.

On October 16, 2013, Therma South secured a ₱24 bn loan from a consortium of banks to finance the construction and operation of the plant. BDO Capital & Investment Corporation acted as Issue Manager and Lead Arranger, while BDO Unibank, Inc. - Trust and Investments Group was appointed as Trustee and Facility Agent.

Therma Visayas, Inc. (Therma Visayas)

Therma Visayas (formerly known as Vesper Industrial and Development Corporation) was incorporated on October 15, 1997 as a joint venture company of A. Soriano Corporation (Anscor) and Tokuyama Corporation (Tukoyama). In December 2011, AboitizPower through its Subsidiary, Therma Power, acquired all shares of Anscor and Tukoyama and thereafter, renamed the company to Therma Visayas, Inc.

In view of the increasing power demand in the Visayas grid, Therma Visayas plans to build and operate a 2 x 150-MW (net) coal-fired power plant in Barangay Bato, Toledo City, Cebu, with provisions for the future addition of a third generating unit. Commercial operation of the first unit is expected to start by year-end 2016 with the second unit following three months thereafter.

In 2013 the company received the ECC for the project and completed a Grid Impact Study which is currently being reviewed by the NGCP. It also completed the collection of physical data at the project site in late 2012, including topography, hydrography, onshore and offshore subsurface investigations, and other tests.

Technical specifications, contract drawings, contract conditions, and requests for EPC proposals were issued on July 15, 2013, and the deadline for submission of proposals was on November 29, 2013. The evaluation of the EPC proposals and awarding of the EPC contract are expected to be completed by May 2014. Turnover of the first unit is expected no later than January 2017, and the second unit will be turned-over three months thereafter.

Therma Mobile, Inc. (Therma Mobile)

On May 27, 2011, Therma Mobile acquired four barge-mounted floating power plants located at Navotas Fishport, Manila 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, the 100-MW barge-mounted plants started their commercial operations.

The plants that are capable of producing the remaining 142 MW are still under rehabilitation as of December 31, 2013.

Pagbilao Energy Corporation (Pagbilao Energy)

Pagbilao Energy was formed as the project vehicle for the Unit three of the Pagbilao plant pursuant to the Memorandum of Understanding signed by AboitizPower and Marubeni Corporation for the development, construction and operation of a 400-MW power plant.

An ECC was issued by DENR-EMB for the third unit on June 18, 2013. In December 2012, Pagbilao Energy commenced discussions with the consortium of Mitsubishi Heavy Industries and Daelim Industrial Corporation with the objective of negotiating mutually satisfactory scope of EPC services, terms and conditions.

STEAG State Power Inc. (STEAG Power)

AboitizPower closed the sale and purchase of 34% equity ownership in STEAG Power from Evonik Steag GmbH (now STEAG GmbH or STEAG) on November 15, 2007.

Incorporated on December 19, 1995, STEAG Power is the owner and operator of a 232-MW (gross) coal-fired power plant located in PHIVIDEK 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. STEAG Power was registered with the BOI as a pioneer enterprise with a six-year income tax holiday incentive. The incentive expired on November 14, 2012.

With its 34% stake in STEAG Power, AboitizPower is the equity partner with majority stockholder STEAG, Germany's fifth largest power generator, which currently holds 51% equity in STEAG Power. La Filipina Uy Gongco Corporation holds the remaining 15% equity in STEAG Power.

STEAG Power's COC was renewed by the ERC, and is effective until May 2016.

East Asia Utilities Corporation (EAUC)

On April 20, 2007, AboitizPower acquired 50% ownership interest in EAUC from El Paso Philippines, which still owns the other 50% interest in EAUC. EAUC was incorporated on February 18, 1993, and it has been operating a Bunker C-fired power plant (with an installed capacity of 50 MW) within MEPZ I in Mactan Island, Cebu since 1997. Pursuant to the EPPA with the PEZA, which took effect on April 26, 2011, PEZA shall purchase from EAUC 22 MW electric power. 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.

On December 26, 2010, EAUC started supplying power through the WESM.

Cebu Private Power Corporation (CPPC)

CPPC owns and operates a 70-MW Bunker C-fired power plant in Cebu City, one of the largest power plants in 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 from EAUC 60% of the outstanding common shares of CPPC. The remaining 40% of the outstanding common shares in CPPC is owned by Vivant, who together with AboitizPower, are the major shareholders of VECO. VECO holds all of the outstanding preferred shares of CPPC. On December 26, 2010, CPPC started selling its excess capacity through the WESM.

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 of 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 (the “SPPC Plant”).

The SPPC Plant was developed by SPPC on a build-own-operate basis under the terms found in its Energy Conversion Agreement (ECA) with NPC. Under the ECA, NPC is required to deliver and supply to SPPC the fuel necessary to operate the SPPC power 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 ECA. During this cooperation period, SPPC is responsible, at its own cost, for the management, operation, 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)

Like SPPC, WMPC is also 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 del Sur in western Mindanao (the “WMPC Plant”). The WMPC Plant was developed by WMPC on a build-own-operate 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 ends 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 the 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.

Other Generation Assets

Two of AboitizPower’s distribution utilities, Davao Light and Cotabato Light, each has its own stand-by plant. Davao Light currently maintains the 53-MW Bunker C-fired Bajada stand-by plant, which is capable of supplying 19% of Davao Light’s requirements. Cotabato Light maintains a stand-by 8.1-MW Bunker C-fired plant capable of supplying approximately 36% 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, AboitizPower, its partners and suppliers are required to obtain all national and local permits and approvals required before 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.

Notwithstanding the comprehensive review and evaluation process that AboitizPower's management conducts in relation to any proposed project, acquisition or business, there can be no assurance that AboitizPower ultimately will develop a particular project, acquire a particular generating facility, or implement or acquire projects or conduct businesses in the manner planned at or below their estimated costs. In addition, there can be no assurance that a project, if implemented, or an acquisition, if undertaken, will be successful.

DISTRIBUTION OF ELECTRICITY

The Aboitiz Group has more than 70 years of experience in the Philippine power distribution sector and has been known for innovation and efficient operations.

With ownership interests in seven 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 Central Luzon, Visayas and Mindanao, with an aggregate land area of approximately 5,095 square kilometers.

The table below summarizes the key operating statistics of the distribution utilities for 2013 and the previous two years.

Company	Electricity Sold (MWh)			Peak Demand (MWh)			No. of Customers		
	2013	2012	2011	2013	2012	2011	2013	2012	2011
Davao Light	1,770,738	1,680,477	1,582,928	324	295	280	315,886	303,135	294,159
Cotabato Light	121,231	117,538	117,726	25	23	23	35,137	33,931	32,929
VECO	2,417,353	2,300,959	2,120,454	433	412	407	366,606	341,611	327,587
SFELAPCO	523,789	493,565	456,121	99	90	88	88,464	85,405	83,312
SEZ	388,562	403,250	408,240	91	90	99	2,881	27,797	2,738
MEZ	118,252	122,660	132,928	21	21	23	80	78	76
BEZ	113,708	124,299	116,378	33	33	32	33	31	32
Total	5,453,633	5,242,748	4,934,775	1,026	964	952	809,087	766,988	740,833

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 1.73 mn. To date, VECO has 20 power substations and one mobile substation that serve the electrical power 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 2013, VECO's peak demand was recorded at 433 MW, and is serving a total of 366,606 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 the 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 RA 6454 for an additional 25 years beginning in 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 CPCN was approved by the ERC last January 26, 2009.

In April 2004, AEV and Vivant 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 after AboitizPower acquired AEV's ownership interest in VECO in January 2007, by AboitizPower. AboitizPower and Vivant are each required to place in escrow 5% of the shares in VECO registered in their names in escrow 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 (ARR) 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.

VECO filed with the ERC in May 2010 its application for approval of the translation into distribution rates of its different customer classes for the first regulatory year of the approved ARR under the PBR for the regulatory period July 1, 2010 to June 30, 2014. The application was approved by the ERC on June 28, 2010. The approved distribution, supply and metering charges for regulatory year 2011 was implemented by VECO effective August 1, 2010.

On March 28, 2011, VECO filed with the ERC its application for approval of the translation into distribution rates to the different customer classes for the second year of the regulatory period. Since implementation in the first regulatory year was delayed by one month, recovery thereof was included in the application with respect to the second year of the regulatory period. The application for approval of the translation into distribution rates to different customer classes for the second regulatory year 2012 was approved by the ERC on July 25, 2011 effective August 1, 2011.

On March 29, 2012, VECO filed its application for the approval of its proposed distribution rates for the third regulatory year. Similar to VECO's application for the second regulatory year, the application for the third regulatory year included a one-month recovery to cover the late implementation in the second regulatory year. After all the regulatory requirements were complied with, the ERC was expected to render a decision on the application before July 1, 2012. However, the ERC approved the application last December 4, 2012 only. Hence, VECO was able to implement the new distribution rates only on December 10, 2012, incurring a five-month delay in the implementation.

On March 2013, VECO filed with 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.

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

Davao Light is the country's third largest privately-owned electric distribution utility in terms of customers and annual kWh sales.

With a franchise covering Davao City and areas of Panabo City, and the municipalities of Carmen, Dujali and Santo Tomas in Davao del Norte, Davao Light serves a population of approximately 1,830,467 and a total area of 3,561 square kilometers.

Although Davao Light was organized on October 11, 1929, the Aboitiz Group acquired ownership of the company only in 1946. Currently, AboitizPower owns 99.93% of the shares in Davao Light.

Davao Light's original franchise, which covered Davao City, was granted in November 1930 by the Philippine Legislature and was for a period of 50 years. In 1976, NEA extended Davao Light's franchise for Davao City to November 2005, and granted franchises for the City of Panabo and the municipalities of Carmen and Santo Tomas in Davao del Norte. In September 2000, the Philippine Congress passed RA 8960, which granted Davao Light a franchise over its current franchise area for a period of 25 years, or until September 2025.

Davao Light has a 150-MVA and a 2x50-MVA substation drawing power at 138 kV. In 1998, it entered into a 10-year PPA with NPC, which was further extended until 2015 by a separate contract entered into by the parties in 2005. The PPA with NPC allows the delivery of most of Davao Light's power requirements through its 138-kV lines. As a result, in taking delivery of electricity from NPC, Davao Light is able to bypass the NGCP connection assets, thus avoiding the payment of the corresponding wheeling fees to NGCP. This allows the company to cut its operating costs.

In February 2007, Davao Light awarded a 12-year supply contract of new capacity to Hedcor Consortium. There was a notable price differential between Hedcor Consortium's winning bid price of ₱4.0856 per kWh and the next lowest bid price of approximately ₱1.0129 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 has decided to secure the new supply contract in anticipation of the full utilization of the existing contracted energy supply under the 10-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 company's energy sales posted a 5.54% increase from 1,680 GWh in 2012 to 1,773 GWh in 2013. Its customer base grew by 3.77% from 303,135 in 2012 to approximately 314,567 in 2013.

One of Davao Light's approaches to keep rates at reasonable levels is by maintaining its systems losses well within the government-mandated cap of 8.5%. The 12-month average system loss as of December 2013 was approximately 7.87%.

Average collection efficiency was 98.96% over the previous month's revenue for 12 months cumulative. For new applications, 96.7% of the 17,646 customers received electric service within 24 hours from signing of contract.

The precarious power supply situation remains to be a huge concern for Mindanao consumers. Davao Light's franchise, however, has been less affected of the daily two to three hours of rotating power interruptions that were experienced in other parts of the island.

Contingencies designed to respond to energy deficiency which were tested during the 2010 Mindanao power crisis are still in place. These include tapping of embedded generators directly connected to the distribution facilities which are synchronized to the grid. In the event of a power crisis, Davao Light's 54.8-MW Bunker C-fired standby plant with a rated capacity of 58 MW can provide an average of 40 MW on a sustaining basis. The standby plant is capable of supplying 19% of Davao Light's electricity requirement.

The power supply from Hedcor Sibulan's 42.5-MW and Hedcor Talomo's 4-MW hydroelectric plants likewise augment the power requirements of Davao Light's franchise area.

The Bunker C-fired plant and the Hedcor Sibulan and Mintal hydroelectric plants are embedded in the Davao Light franchise. Thus, the power generated from these facilities is dispatched directly into the Davao Light distribution network without passing through the NGCP transmission lines.

To add to its power reserve capacity, on March 21, 2011, Davao Light entered into a power supply contract with Therma Marine for 15 MW which was approved by the ERC on May 30, 2011.

To keep pace with the rising demand for power and to support the uptrend of growing economies, Davao Light signed an additional 15-MW contract with Therma Marine. Separately, it also signed a 100-MW PSA with Therma South. Now on its fourth regulatory year of the PBR, Davao Light received an increase of 6.46 centavos in July 2013.

Despite the increase in the distribution rates, customers consuming 100 kWh and below will still enjoy the lifeline subsidy. Of Davao Light's 314,567 customers, 39% or 123,377 customers avail of the lifeline subsidy discounts. An estimated 20% or 24,708 of these 123,377 customers whose consumption is 0 to 20 kWh enjoy 100% discount and pay only the fixed charge of ₱5.00 a month.

Substation expansions were also undertaken. In 2013, construction of two substation projects, the Buhangin and Tugbok substations, were implemented. The substations are now in the 80% and 70% completion stages, respectively.

Network expansions completed within 2013 include 7.5 circuit kms. of 13.8 kV new distribution lines and 12 circuit kms. of 69 kV subtransmission lines. Also relocated were 6 circuit kms. of distribution lines due to a DPWH road widening project.

Another major project is the completion of a 69 kV switching station for Steel Asia customer and a 33 MVA substation for the TSI Coal plant.

Davao Light also connected its first net metering customer this year, the MARIPHIL Children's Village (Atung Pinuy-Anan), Inc., which installed its own renewable energy source called the Solar Photovoltaic System with 41,580-watt solar panels. Davao Light is the first to enter into the net metering scheme in the region.

The company has also opened full service centers in two of Davao City's largest shopping malls, SM City Davao and SM Lanang Premier. These service centers provide convenient and accessible options to customers to avail of the company's services such as payment, inquiry and applications for new connections.

Through text messaging, Davao Light provides its customers with convenient ways to inquire on electric bill balances and power interruptions through text messaging. This is done through the services: 'ASKDLPC BILL' and 'ASKDLPC OUTAGE'.

Davao Light gives back to its host communities in various ways. The company donates computers, science instruments, and school buildings to public schools. In 2013, the company donated 41 school buildings. Since 1996, Davao Light has donated 128 classrooms. Davao Light also donates arm chairs, made from recycled wood of its shipping crates, to its donated classrooms and school buildings through the DepEd.

To date, Davao Light employees have planted 27,500 trees in its adopted 500–hectare government forestland in Upper Kibalang, Marilog, Davao City, which also serves as a carbon sink area. In 2009 and 2010, 8,000 trees were planted in Punta Dumalag and Magtuod highways, respectively. The latest tree inventory as of August 2013 counts the number of surviving trees planted by the company at 28,400.

In addition to company–sponsored Corporate Social Responsibility (CSR) activities, Davao Light was instrumental in the restoration of power lines damaged by Super Typhoon Yolanda in the Visayas region. The company sent its first batch of personnel, composed of four gangs or twenty linemen, to northern Cebu in the second week of November. Seven gangs and one pole erection crew, or 38 linemen with boom trucks, hardware materials and supplies, were also sent out to fast track rehabilitation works. The team was also deployed in Leyte to assist in its local electric cooperative’s power restoration operations.

Davao Light was among the 11 finalists of the Kapatiran sa Industriya or KAPATID Awards held last May 2013. The KAPATID Awards, launched in 1995, is held every two years by the Employees Confederation of the Philippines. It is a comprehensive search for outstanding workplace policies and programs. The company was nominated as a candidate for the KAPATID Awards by DOLE – Region XI.

The company’s Labor Management Cooperation (LMC) Committee was given a Special Award in Unique Strategic Partnership during the 2013 Search for Outstanding LMC for Industrial Peace. This is given to organizations which focus on the core values of successful partnership. The committee also received an award of recognition as a finalist for the search.

Through the years, Davao Light has been cited as the biggest business taxpayer of Davao City.

Energy sales are expected to continuously grow by 11.29%, or from 1,773 GWh in 2013 to 1,974 GWh in 2014. Davao Light acquired seven more customers with load applications of above 1 MW each, or a total of 62.5 MW. These customers, Steel Asia, Mighty Steel, Felcris Hotels & Resorts, Ateneo de Davao University, JTC Tower, Gaisano Grand Tibungco and NCCC Panabo, are scheduled to be energized in 2014.

The company forecasts its number of customers to increase by 4.1% in 2014, or from 314,567 in 2013 to 327,468 in 2014.

Davao Light’s key initiatives for 2014 include: (i) Elevated Meter Cluster (EMC), (ii) underground cabling, (iii) groundbreaking for its new corporate headquarters in Davao (iv) 70% completion of the Maa substation, (v) replacement of 26,000 units of electro mechanical meters to electronic meters – 26,000 units; and (vi) rural electrification in the Davao–Bukidnon road which once completed, will allow Davao Light to extend its lines and poles to the remaining off grid areas in its franchise.

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. Its franchise covers approximately 191 square kilometers with a population of approximately 377,711. In 2013, it has a customer base of 135,137 composed of residential, commercial, industrial and flat rate customers.

Cotabato Light was formally incorporated in April 1938. Its original 25–year franchise was granted in June 1939 by the Philippine Legislature. In 1961, the Philippine Congress passed RA 3217, which was further amended by RA 3341 extending Cotabato Light’s franchise until June 1989. In August 1989, NEA extended Cotabato Light’s franchise for another 25 years, or until August 2014. AboitizPower owns 99.94% of Cotabato Light.

As of 2012, Cotabato Light has three substations of 10 MVA, 12 MVA and 15 MVA, backed up by another 10 MVA power transformer. It is served by one 69-kV transmission line. Cotabato Light's distribution voltage is 13.8 kV.

Cotabato Light maintains a standby 8.1-MW Bunker C-fired plant capable of supplying approximately 36% of its franchise area requirements. The existence of a standby power plant, capable of supplying electricity in cases of supply problems with PSALM or NGCP and for the stability of voltage whenever necessary, is another benefit to Cotabato Light's customers. During the Mindanao power crises in 2010 and 2012, Cotabato Light's franchise area experienced one of the lowest power rotating outages due to its back-up power plant.

Although a relatively small utility, Cotabato Light's corporate relationship with its Affiliate, Davao Light, allows the former to immediately implement benefits from the latter's system developments. Davao Light likewise provides ready technical assistance to Cotabato Light whenever necessary.

Keeping pace with world class standards, Cotabato Light adopted a new computerized accounting system, which was upgraded to ERP-12 from Oracle. In May 2011, Cotabato Light implemented the CC&B system, a world class billing, collection and customer service related system utilized also by other Distribution Utilities.

Managing its systems loss is a challenge for Cotabato Light. With its various strategies implemented, the system loss was down to 8.32% by December 2013, below ERC cap of 8.50%.

Cotabato Light already completed the Second Regulatory Period covering April 1, 2009 to March 31, 2013. For this period, the ERC previously approved Cotabato Light's four-year Annual Revenue Requirements and Performance Incentive Scheme. In March 2012, the ERC approved Cotabato Light's application for rate translation covering the 4th Regulatory Year (from April 1, 2012 to March 31, 2013) of its Second Regulatory Period.

While the Second Regulatory Period already ended, the Third Regulatory Period has not yet commenced due to potential changes to the Performance-Based Regulation and Rules for Setting Distribution Wheeling Rate being proposed/considered by the ERC. In August 2013, Cotabato Light filed its Maximum Average Price adjustment for RY 2014 (April 2013 to March 2014).

Cotabato Light is in the process of renewing its legislative franchise, which is expected to expire in mid 2014. House Bill No. 3187 was approved on February 2014 and has been approved on second reading at the plenary session of the Senate last March 11, 2014. Cotabato Light expects to have the franchise renewed on timely basis as this was certified by the Senate as a priority bill.

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

Incorporated on May 17, 1927, SFELAPCO was a grantee of a municipal franchise in 1927. In 1961, the Philippine Congress passed RA 3207 which granted SFELAPCO a franchise to distribute electricity for a period of 50 years or until June 2011. Prior to the expiration of its legislative franchise, or on February 6, 2010, RA 9967 lapsed into law extending the franchise of SFELAPCO for another 25 years from March 24, 2010.

SFELAPCO's franchise in the City of San Fernando, Pampanga covers an area of 78,514 square kilometers with approximately 314.21 circuit-kilometers on its 13.8-kV and 608.21 circuit-kilometers on its 240-volt distribution lines. There are 35 barangays in the City of San Fernando that are currently being supplied by SFELAPCO under its existing franchise. SFELAPCO likewise serves barangays San Isidro and Cabalantian in Bacolor, Pampanga.

SFELAPCO also serves 25 barangays in the municipality of Floridablanca and two barangays in Guagua. This area consists of 125,000 square kilometers with around 89.24 circuit-kilometers of 13.8-kV and 144.69 circuit-kilometers on its 240-volt distribution lines.

On November 11, 2009, SFELAPCO signed a PSA with APRI, wherein APRI will supply additional energy required by SFELAPCO which cannot be supplied by NPC for the period December 25, 2009 to September 25, 2010. Thereafter, APRI became the sole provider of power to SFELAPCO until December 25, 2012. The PSA has been extended to September 25, 2013, pending the approval by ERC of the new PSA dated December 5, 2012 between APRI and SFELAPCO.

SFELAPCO is part of the fourth batch of private utilities to enter PBR, and is currently under the four-year regulatory period starting October 1, 2011.

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 system 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 Pampanga Sugar Development Company (PASUDECO) to undertake the management and operation of the SBFZ power distribution system. SEZ was formally awarded the contract to manage the SBFZ's power distribution system on October 25, 2003, and officially took over the operations of the power distribution system on the same day.

SEZ's authority to operate the SBFZ power distribution system was granted by the SBMA pursuant to the terms of The Bases Conversion and Development Act of 1992 (RA 7227), as amended.

As a company operating within the SBFZ, SEZ pays a preferential tax of 5% on its gross income in lieu of all national and local taxes.

Following the acquisition by AboitizPower in January 2007 of the 64.30% effective ownership interest of AEV 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 the 35% equity in SEZ of AboitizPower's subsidiary Davao Light, this acquisition brought AboitizPower's total equity in SEZ to 99.97%.

In September 2008, SEZ acquired the 100-MVA Subic Substation from the NGCP. The substation has a 230/69/13.8kV power transformer supplying power to the Subic Bay Industrial Park, Binictican and Kalayaan housing areas, Cubi, Naval Magazine, and Grande Island in the SBFZ.

In November 2008, SEZ implemented a rate increase as per approved unbundled rates.

In 2010, SEZ acquired more advanced equipment to further enhance its service to its customers. In January 2010, SEZ purchased a Meter Test Equipment (MTE) 5-Position Test Bench from Germany to improve its meter calibration services. As a result, meter calibration improved from 25 meters to 130 meters a day. In July 2010, SEZ procured a Megger Fault Locator for underground power cable trouble-shooting. With this new equipment, SEZ can determine electrical underground faults more quickly, thus reducing power outage time.

In March 2011, SEZ formally launched and implemented its CC&B system, as part of its continuing effort to improve customer service.

In April 2011, SEZ installed Automatic Circuit Reclosers (ACRs) on its distribution network, which provides electric service continuity by removing a faulted circuit from the system brought about by natural causes.

In May 2011, SEZ installed an additional 69kV SF6 Circuit Breaker to its SEZ 100 MVA Substation to increase the flexibility and reliability of the substation's 69kV line supplying its Maritan and Cubi substations.

SEZ is part of the fourth batch (Group D) of private utilities to enter PBR. On July 6, 2011, ERC released its final determination on SEZ's application for approval of its MAP, ARR, and Performance Incentive Scheme for the period October 2011 to September 2015. The approved MAP for the first regulatory year, as translated into new rates per customer class, has started implementation 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.

To further improve SBFZ's power distribution system, SEZ completed several projects in 2012. SEZ finished its Warehouse and Toolroom expansion project in April 2012 to answer to the need for more storage space. During the same period, the construction of a backup power supply for SBFZ's Subic Bay Development Management Corporation (SBDMC) commercial area and re-routing of lines at the Maritan Substation was underway.

In September 2012, the installation of Supervisory Control and Data Acquisition (SCADA) system at the Subic Bay Industrial Park (SBIP) substation resulted to full SCADA implementation for the whole SEZ distribution system. All substations are now online through fiber optics.

The last quarter of 2012 also saw the completion of the installation of additional RMU switch at SBIP, re-routing and replacement of 69kV Line 1 at Rizal Highway, installation of two Reclosers at Naval Magazine, rehabilitation of cross-country lines at Cubi, and the rehabilitation of the primary metering of SEZ's biggest industrial customer, Nidec.

In January 2013, the approved MAP for the second regulatory year has been implemented.

In 2013, SEZ upgraded its system reliability by installing OLTC ON-LINE filtering unit at the SBIP substation, replaced old 69kV switches to HAPAM switches, simplified 69kV lines, and installed IP radios for back up communication channel in case of fiber optic breakage. All substations are equipped with IP-based CCTV cameras for better security and monitoring.

To further improve its reliability, SEZ continued the replacement of its existing structures and equipments, run-down poles, switches for underground and overhead lines, and distribution transformers. To simplify its power distribution system, SEZ conducted primary line re routings and feeder loopings.

During the last quarter of 2013, SEZ installed a fault indicator and 69kV line-4 re-routing and load break switch. This project is targeted to be completed within 2014.

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 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 supply 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 Power Service Contracts with MEZ.

In the first quarter of 2011, MEZ mounted three more sets of Automatic Voltage Regulators (AVRs) to its old substation to improve voltage levels to locators.

To further provide world-class customer service, MEZ transferred their main administration office within the zone where they operate, MEPZ II, by leasing an office space through a lease agreement with AboitizLand, Inc. The MEZ control room was also renovated and expanded to improve the efficiency of operation. The construction of warehouse for slow-moving items last September 2011, the battery room construction last October 2011, and the continuous replacement of wooden poles under 69 kV were also among 2011's highlights. To avail of the opportunities in the competitive electricity market, MEZ is now a direct participant of WESM starting January 2011.

For the 2011 operating period, MEZ also transferred its NGCP metering to its substation in order to minimize line losses and further improve the voltage quality.

MEZ accomplished numerous projects and activities in the year 2011, such as the deployment of CC&B system, launching of safety program, and installation of line disconnect switches feeder lines for systems reliability and flexibility. From July to November 2012, additional transformer banks were installed to the following customers: Atomed, Ina Micro Opto, Passepartout and Matluster to compensate for their load growth.

In 2012, MEZ fully implemented its metering audit as part of the company's Revenue Protection Program.

MEZ completed various projects in 2013, including the renovation of the Substation Control Room, a new trenching and control panel, and the installation of the SCADA system to improve efficiency and optimize operations.

Balamban Enerzone Corporation (BEZ)

BEZ was incorporated in January 2007 when CIPDI, a joint venture between AboitizLand and THCI, spun off the powerdistribution system of the WCIP-Special Economic Zone (WCIP-SEZ). WCIP-SEZ is a special economic zone for light and heavy industries owned and operated by CIPDI. The park, which is located in Balamban, Cebu, is home to the shipbuilding and ship repair facilities of THI, as well as the modular fabrication facility of Metaphil International, Inc., and recently to Austal Philippines Pty. Limited.

On May 4, 2007, CIPDI declared property dividend to its stockholders in the form of its equity in BEZ. On 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 of ₱5.80 per share.

On March 7, 2008, AboitizPower purchased THCI's 40% equity in BEZ for approximately ₱178 mn. The acquisition brought AboitizPower's total equity in BEZ to 100%.

In 2009, with THI's continued expansions in its ship building business and the construction of additional facilities within the WCIP, BEZ constructed and energized the 25/33 MVA, 69 kV/13.8 kV Buanoy power substation equipped with an MR on-load tap changer. The substation is strategically located near the THI shipbuilding factories to provide additional substation capacity.

In September 25, 2009, BEZ completed the construction of the 33 MVA on-load tap changer substations, including the control room with 15 kV metal-clad switchgear, and the two-kilometer 69 kV line from Arpili to Buanoy substations. BEZ also erected the fast and slow moving warehouses within their Buanoy and Arpili substations, respectively.

In January 2011, BEZ secured firm contracts with power suppliers Green Core Geothermal Incorporated (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 PEMC to avail of the power available at WESM.

The implementation of the SCADA last March 11, 2011 and the installation of CCTVs at the different strategic locations by the first quarter of 2011 has greatly improved the operation of BEZ as both substations located two km apart can be remotely controlled and monitored. In addition, numerous sectionalisers were also installed to provide more flexibility and reliability of the BEZ power system.

For the year 2011, the power sales of the company increased by 29%.

BEZ accomplished numerous projects and activities in the year 2011, including but not limited to, deployment of CC&B system, launching of safety program and installation of line disconnect switches feeder lines for systems reliability and flexibility.

From June to December 2012, BEZ implemented the AMR scheme. Conducted by Davao Light personnel, this is a pilot project for the whole Distribution Utility group of AboitizPower. AMR is an automatic collection of information, status, meter readings and billings utilizing the End Sight software. It eliminates human error and ensures that data are available in real time. BEZ was chosen to be the pilot distribution utility because of its less number of installed meters and smaller area.

In December 2012, BEZ installed 800 meters of 13.8 kV distribution lines at Spine Road connecting Arpili and Buanoy to increase system reliability.

In 2013, BEZ rehabilitated its 34.5 kV transmission lines and upgraded its Arpili SS Feeder 2 distribution lines set-up into a double circuit with Feeder 1 to supply power at the proposed WCIP 2. BEZ also successfully energized the newly installed 800m distribution lines tapped at Feeder 2 passing thru the spine road that connects Arpili and Buanoy SS within WCIP 1. This adds to the flexibility of BEZ power system.

During the last quarter of 2013, BEZ conducted pin insulators uprating from 15k V to 23 kV. BEZ Feeder 1 distribution lines were also upgraded from 4/0 to 336.4 MCM in preparation for the WCIP 2 expansion in the last quarter of 2014.

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. In particular, when Open Access and Retail Competition (Open Access) is fully implemented, 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, became one of the first companies granted a license to operate as a RES. This license has been renewed by AESI in October 29, 2012 and will be effective for another five years.

With the commercial operation of Retail Competition and Open Access in June 26, 2013, AESI began its initial operation as a RES company providing qualified contestable customers the opportunity to select a contract structure that will meet their generation supply requirements. At present, AESI is providing service to around 50 customers with an electricity demand of around 235MW. This

customer base is expected to grow as more generation capacity is installed to serve the needs of the contestable market.

In the November 2013 bid for the IPPA of the strips for Unified Leyte Geothermal Power Plant (ULGPP), AESI won 40 strips corresponding to 40MW capacity of ULGPP. This IPPA contract will provide AESI with the presence in the Visayas to contract 40MW of geothermal power from Leyte.

Prism Energy, Inc. (Prism Energy)

Prism Energy was incorporated in March 2009 as a joint venture between AboitizPower and Vivant. It was granted a five-year RES license by the ERC on May 22, 2012 or until May 22, 2017. Prism Energy is envisioned to serve contestable customers in the Visayas Region.

Adventenergy, Inc. (AdventEnergy)

Incorporated in August 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 formed specifically to serve contestable customers within 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.

At present, the company provides retail electricity supply to a group of a major real estate chain and is expected to further expand its operations by serving PEZA zones and PEZA classified companies all over Luzon and Visayas.

FINANCIAL SERVICES

AEV's financial services group is composed of Union Bank of the Philippines a leading universal bank in the country, and UnionBank's Subsidiary, City Savings Bank, Inc., a thrift bank based in Cebu City.

Union Bank of the Philippines (UnionBank) and City Savings Bank, Inc. (CitySavings)

Union Bank of the Philippines (UnionBank) is a publicly-listed universal bank. UnionBank distinguishes itself through superior technology, unique branch sales and service culture, and centralized backroom operations. UnionBank's superior technology allows delivery of online, real time business solutions to meet the changing and diverse needs of customers through innovative and customized cash management products and service offerings. UnionBank's unique branch culture ensures efficient and quality service, while mitigating operational risk. Its centralized operations enable UnionBank 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 the ISO 9001:2000 Quality Management System (QMS) Certification for its Central Processing Services in 2008, making it then the first and only bank awarded for its entire centralized backroom operations. In 2010, UnionBank received ISO 9001:2008 Certification, an upgrade from the previous QMS Certification received. Thereafter, UnionBank was certified for ISO 27001:2005 Information Security Management System, attesting to UnionBank's unwavering commitment to become an acknowledged leader and benchmark for service quality, technological advancement, and operational excellence. UnionBank also achieved ISO 9001:2008 Certifications for its Customer Service Group in 2012 and Branch Operations Management in 2013. UnionBank is consistently certified as having zero non-conformance every year from date of certification during quality audits, demonstrating UnionBank's dedication to uphold quality in its business processes.

UnionBank has a proven track record for delivering consistent and strong performance from its treasury businesses. Notwithstanding volatility in trading-related earnings, gains from UnionBank's treasury businesses have historically accounted for a significant and consistent portion of UnionBank's operating income.

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

UnionBank, originally known as "Union Savings and Mortgage Bank", was incorporated in the Philippines on August 16, 1968. UnionBank'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 13th and youngest universal bank in the country, achieving universal bank status in only its tenth year of operation as a commercial bank.

The Bank'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 - with International Corporate Bank ("Interbank") in 1993 and International Exchange Bank ("iBank") in 2006. These mergers catapulted the Bank to become 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 and to enhance its financial flexibility. The offering expanded the shareholder base by 16.3% and raised additional equity worth over P5.1 bn. The new shares were listed in the PSE on May 10, 2007.

On October 14, 2009, the Bank issued P3.75 bn worth of unsecured subordinated debt, eligible as Lower Tier 2 capital, with an interest rate of 7.375% per annum. In a letter dated November 22, 2013, Bangko Sentral ng Pilipinas (BSP) approved UnionBank's request for early redemption of its debt on January 14, 2014.

On January 8, 2013, UnionBank's Board of Directors approved the purchase of City Savings Bank, Inc. (CitySavings) at a purchase price of P5.734 bn, based on 2.5 times the audited book value of CitySavings' shares as of December 31, 2012. CitySavings is a premier thrift bank specializing in granting teachers' loans under the DepEd's Automatic Payroll Deduction System. The transaction was approved by the Monetary Board of 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.

UnionBank raised a total of P3.0 bn in its debut offering of Long-Term Negotiable Certificates of Deposits (LTNCDs) on October 20, 2013. The LTNCDs carry a coupon of 3.50% per annum, which is payable quarterly beginning on January 18, 2014 and maturing on April 17, 2019. Proceeds of the issuance were utilized to improve UnionBank's deposit maturity profile and support business expansion plans.

FOOD MANUFACTURING

AEV's Food Group is presently composed of Pilmico and its Subsidiaries, Pilmico Animal Nutrition Corporation (PANC), Filagri, Inc. and Filagri Holdings, Inc.

Pilmico 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 the company to the risk of loss arising from currency fluctuations and movements in the prices of raw materials. The high costs of freight and distribution limit the selling territory of the company to within its perimeter. The company responds to this through the strategic location of its Iligan plant, which narrows down the high freight and distribution costs.

In September 1, 2008, Pilmico commenced commercial operation of its new 115,000 metric tons (MT) feedmill located within its flour mill complex in Iligan City. In October 1, 2010, Pilmico completed the expansion of its Iligan feedmill, 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.

In September 2012, Pilmico expanded its port facilities in Iligan, as well as its unloading and storage capabilities. The port expansion is 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 June 24, 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.

In January 1999, PANC began commercial operations of its feedmill plant located in Capas, Tarlac. It also started its swine operations in the second half of the same year, 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. 2009 saw the first farm expansion of PANC, which brought the company's sow level to 6,500. To date, the farms' capacity is ramping up to reach 8,400 sow level by mid of 2014.

As part of the diversification plans of PANC, Filagri, Inc., formerly Filagri Land, Inc. (Filagri), 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. SEC approved the amendments, which also includes the change of name from Filagri Land, Inc. to Filagri, Inc. in January 26, 2012. The company was originally formed to hold PANC's investments in real estate properties. Filagri is a wholly-owned Subsidiary of Filagri Holdings. Filagri Holdings is a wholly-owned Subsidiary of Pilmico. As of December 13, 2012, Filagri Holdings has 50% equity interest in PANC.

In 2012, Pilmico and its Subsidiaries contributed ₱1.30 bn to the net income of the Group (+5% YoY), driven largely by the boost in each division's volume and better margins.

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 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 Quality Management System.

After two decades in operation, AboitizLand remains one of the country's most trusted real estate developers. The company has investments in residential, commercial, industrial developments, and engages in property management in Cebu. It is the developer and operator of two economic zones, the Mactan Economic Zone II (MEZ II) in Barangay Mactan, Lapu Lapu City, and WCIP in Balamban, Cebu, through its Subsidiary, CIPDI.

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 thrust: nurturing, assuring and enduring.

Since 2009, a matrix-type organization has been formed to support four major business divisions of AboitizLand: residential, industrial, commercial and property management.

In 2013, AboitizLand acquired 60% majority stake in Lima Land, Inc. (LLI), making this AboitizLand's third industrial zone. LLI is the owner and operator of LiMA Technology Center, a 485-hectare PEZA-registered industrial park located in Batangas. In February 2014, AboitizLand completed the acquisition of the remaining ownership interest in LLI.

AboitizLand believes that it must enter the national scene in order to achieve significant growth, while strengthening its Cebu organization to intensify market position. 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 between AboitizLand (60%) and the Kambara Group of Japan (40%). It started operations in 1993, with the development and operation of WCIP in Balamban, Cebu. WCIP is a 202-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 12 locators and employs approximately 16,500 people.

Propiedad 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 54 hectares, all of which are located in Liloan, Cebu.

Lima Land, Inc. (LLI)

On October 2013, AboitizLand acquired 60% stake in Lima Land, Inc., a developer and operator of Lima Technology Center (LTC), through the purchase of shares from Alsons Land Corporation. The 40% shareholdings in LLI owned by Marubeni Corporation was subsequently acquired by AboitizLand in February 2014, making LLI a 100% wholly-owned Subsidiary of AboitizLand.

LTC, located between Lipa and Malvar, Batangas, is 65 kms from the Makati Central Business District. LTC is envisioned to be a total township project, combining the concepts of an integrated city and

an environment for wholesome living. 90% of the 485-hectare development is allocated for industrial development. The rest of the area caters to commercial and residential developments. Epson Precision (Phils.) Inc. is LTC's largest locator among its 37 tenants in electronics and automotive industries. Seeing the demand for industrial space, LTC is set to open its expansion area totaling 140 hectares by 2015.

LLI's Subsidiaries, Lima Utilities Corporation and Lima Water Corporation, supply power and water to its locators, respectively.

Lima Utilities Corporation (LUC)

Lima Utilities Corporation was established as part of the Lima group's commitment to serve and provide its locators with reliable and stable power supply. LUC manages a 50MVA substation with dual power supply system connected through a 69 kV transmission line of NPC. The LUC substation is directly connected to the grid in Batangas City, with an alternate connection to the Makban Geothermal line.

LUC's responsive interface ensures that customers receive power that fully meets their business requirements. As asset manager of the electrical infrastructure constructed at LTC, LUC 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.

Lima Water Corporation (LWC)

Lima Water Corporation 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 waste water treatment plant. It ensures proper treatment of industrial and domestic waste generated within the industrial park. It utilizes an oxidation type system that can process up to 22,000 cubic meters of waste water per day. The company has its own wastewater-testing laboratory to properly monitor the waste discharge of the economic zone.

Cebu District Property Enterprise Inc.

Consistent with its vision for growth, AboitizLand partnered with Ayala Land, Inc (Ayala Land) to undertake real estate projects in Cebu, through Cebu District Property Enterprise Inc., a 50-50 joint venture company. 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 masterplanned and sustainable communities.

For its first project, the company looks to transform a 15-hectare lot in Mandaue City into a mixed-use district. Targeted to be launched in 2015, this development is envisioned as an impressive growth center, which will have innovative residential developments and commercial spaces with retail and office components.

OTHER INVESTMENTS

AEV's other investments include holdings in [i] aviation through AEV Aviation, Inc. and [ii] production of liquid bio-methane fuel through Aseagas Corporation.

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. Jebesen Invest AS, AEV's long-time partner in the Abojeb Group, will continue to partner with the Aboitiz family members in their personal capacity.

AEV Aviation, Inc. (AAI)

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

To date, AAI 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. AAI operates under the strictest safety measures and complies with all government aviation policies and the aircraft manufacturers' mandated maintenance procedures. All of AAI's pilots and maintenance personnel undergo rigid trainings. This ensures that AAI's employees are armed with the latest knowledge and skills in aviation technology.

In September 18, 2013, SEC approved the increase in the authorized capital stock of AAI to P502 mn, which allowed AboitizPower to infuse capital in the company.

Aseagas Corporation (AseaGas)

In June 2012, AEV partnered with British company GazAsia Ltd. to build a plant that produces liquid bio-methane fuel from organic wastes derived from municipal solid wastes and other forms of organic wastes. AseaGas, the company that will undertake this project, will employ existing and proven technology to produce methane gas and liquefy it for transportation purposes.

The company aims to provide waste-to-fuel solutions through the production of liquid bio-methane fuel. Its core objective is the improvement of air quality in cities, by providing sustainable and green transport solutions through the utilization of non-hazardous organic waste.

AseaGas seeks to build several plants in the Philippines that will produce renewable fuel through a process that collects and processes methane from organic waste and then liquefies this into fuel for vehicles. The carbon negative fuel will reduce emissions from vehicle fuel. The company's first renewable fuel production plant will have a capacity of approximately 8,000 metric tons/year of liquid bio-methane.

In September 2013, AseaGas entered into an Effluent Supply Agreement with Absolut Distillers, Inc. (Absolut), a subsidiary of La Tondeña Distillers Incorporated. Absolut will provide the organic effluent wastewater for AseaGas' renewable fuel production plant, which is set to break ground in the first half of 2014. This partnership will ensure availability of raw material for the country's first liquid bio-methane fuel plant.

The company will apply for registration as a renewable energy developer with DOE in order to avail of the incentives under the RE Law.

ii) Sales

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

	2013	2012 ¹	2011 ²
Gross Income	90,876	81,018	71,997
Operating Income	21,223	22,945	22,984
Total Assets	247,088	222,463	200,736

Note: Values in the above table are in Million Pesos.

The operations of AEV and its subsidiaries are based largely in the Philippines.

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

	2013		2012 ³		2011 ⁴	
Power Distribution & Generation	72,055	79%	62,153	76%	54,476	75%
Food Manufacturing	16,432	18%	15,688	19%	14,753	20%
Financial Services	0	0%	2,202	3%	1,966	3%
Transport	1,761	2%				0%
Parent & Portfolio	1,272	1%	1,611	2%	1,308	2%
Total Revenues	91,520	100%	81,654	100%	72,503	100%
Less: Eliminations	643		636		505	
Net Revenues	90,876		81,018		71,997	

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. Under financial services group, only CSB's revenues are reflected in 2011 and 2012 when CSB was still treated as Subsidiary. In 2013, CSB's revenue is longer indicated in the financial services line as it is now treated as an associate, resulting from the sale by AEV and Pilmico for their investment in CSB to its banking associate, UBP, in the first quarter of 2013. The revenues of associates do not form part of the Group's consolidated revenues. UBP's 2013, 2012, and 2011 contributions to registrant's net income are reported under the account "Share in Net Earnings of Associates". 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 electricity either through the WESM or through bilateral PSAs with the NPC, private distribution utilities, electric cooperatives, retail electricity suppliers or other large end-users.

Currently, SNAP-Magat and SNAP-Benguet have ASPAs with the NGCP as AS providers to the Luzon grid. As part of their contract, SNAP-Benguet nominates its available capacity for AS to the NGCP (System Operator). This is confirmed by a notice provided by NGCP to SNAP-Benguet containing the AS schedule. In March 2013, SNAP-Magat signed an ASPA with NGCP covering firm contracted capacities for both regulating and contingency reserves at 155 MW.

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

² *Ibid.*

³ *Ibid.*

⁴ *Ibid.*

Another Affiliate, TLI, also signed an ASPA with the NGCP on March 14, 2013 for both firm and non-firm contracted capacities for contingency reserve at 60 MW during off-peak and 60 MW during peak hours. TLI's ASPA with NGCP is valid for a period of five years from the date of approval by ERC.

Majority of AboitizPower's Generation Companies have transmission service agreements with NGCP for transmission of electricity to the designated delivery points of their customers, while others built their own transmission lines to directly connect to their customers. In some instances, where the offtaker is NPC, NPC takes electricity from the generation facility itself.

On the other hand, AboitizPower's Distribution Utilities have exclusive distribution franchises in the areas where they operate. Each of the Distribution Companies has a distribution network consisting of a widespread network of predominantly overhead lines and substations. Customers are classified in different 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 IPP and NPC/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 with their respective customers. In 2013, AdventEnergy supplied to five companies under the NET Group and delivered a total of 24.9M kWhs. As of March 31, 2014, AdventEnergy supplies renewable energy to 11 companies with a total power demand of 32.3 MW.

To ensure continuous supply of power to its customers, AdventEnergy has existing power supply contracts with renewable power generation companies.

AESI has a total of 45 customers with existing Retail Electricity Supply Contracts with terms ranging from three to ten years. In 2013, AESI delivered a total of 640.8M kWhs to its customers. As of March 31, 2014, AESI registered a total power demand of 150 MW. AESI entered into contracts with various power generation companies to ensure reliable and continuous supply of power to its customers.

The above Retail Electricity Supply companies 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 load based competitive rate.

FINANCIAL SERVICES

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

UnionBank ended 2013 with 238 branches nationwide. To maximize visibility and expand customer reach, select branches were relocated to strategic areas situated within and outside of Metro Manila. The branches have userfriendly terminals and a web-based Signature Verification System (SVS), thereby promoting efficient processing of teller transactions. Customers can do over-the-counter (OTC) withdrawals and check encashment at any UnionBank branch. The bank's Check Verification System, utilizing the Philippine Clearing House Corporation's check images, is instrumental in enabling fast and reliable check clearing.

UnionBank's network of 268 ATMs, as of year end 2013, supplements its branch network in providing banking services to its customers. With the bank's interconnection with Megalink's ATM consortium, the bank's cardholders have access to almost 15,000 ATMs nationwide. In addition, UnionBank's

ATM card also functions as a VISA debit card that allows electronic purchase and payment transactions.

Retail customer relationship and care is handled by the bank'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, the call center adheres to certain Service Level Agreements, such as feedback or resolution of ATM-related concerns within five banking days and redelivery of cards within Metro Manila within five days. Customer complaint handling is continuously improved through resolution tracking.

UnionBank's financial services portal (www.unionbankph.com), the first in the Philippines, 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.

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.

REAL ESTATE

AboitizLand's revenue portfolio comprising of residential real estate, is largely non-recurring with an average of 58% contribution from 11 completed and 7 ongoing residential projects. 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 was ready 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 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. Residential sales for 2013 reached a record-high of ₱1.553 bn, 19% over 2012.

Collectively, the industrial, commercial and property management businesses of AboitizLand contribute 42% to the overall revenue of AEV, most of which comes from the industrial business.

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 45 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 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. This is the latest segment to the company's commercial product portfolio.

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. The property management group also engages in water supply distribution for the industrial zone.

(iv) New Products/Services

POWER

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

FINANCIAL SERVICES

UnionBank offers a broad range of products and services, including 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 services, trust and fund management, remittance, cash management and electronic banking, and pre-need insurance through its subsidiary, First Union Plan, Inc.

The bank continues to reinvent itself from a traditional two-product bank (deposit-taking and lending) to a multiproduct financial services company that leverages on technology.

REAL ESTATE

In 2013, AboitizLand's residential business unit launched Phase 2 of Priveya Hills, a 60-hectare high-end lots-only project; and Phases 1 and 2 of Almiya, consisting of 238 Asian Contemporary-designed units. Focus on residential lots as well as house-and-lot products in 2013 aligns with the company's proven track record in horizontal development.

AboitizLand, together with its partners, AC Infrastructure Holdings, a subsidiary of Ayala Corporation, and Macquarie Infrastructure Holdings (Philippines) PTA Limited, embarks on a new undertaking by participating in the bid for the Cavite-Laguna-Expressway under the Philippine government's public-private partnership program

(v) Competition

On the parent company level, AEV has no direct competitor. 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

With the privatization of the NPC-owned power generation facilities, the establishment of the WESM and the implementation of retail competition and Open Access, AboitizPower's generation facilities located in Luzon, Visayas and Mindanao will face competition from other power generation plants that supply electricity to the Luzon, Visayas and Mindanao grids.

In particular, SN Aboitiz Power – Magat, SN Aboitiz Power – Benguet, APRI and Therma Luzon are expected to face competition from leading multinationals such as AES Corporation, Team Energy, GN Power and Korea Electric Power Corporation, as well as power generation facilities owned or controlled by Filipino-owned companies such as Global Business Power Corporation, Trans-Asia Power Generation Corporation, AC Energy Holdings Corporation, First Gen Corporation, DMCI

Holdings, Inc. and San Miguel Energy Corporation. With the commencement of retail competition and Open Access, these foreign and local generation companies have already set up their own RES business. Despite the suspension of the issuance of RES licenses in May 2013, aggressive competition from those with existing licenses is still expected. Additional competition for open access customers can come from entities that may not generate power but have RES operations by acting as demand aggregators.

AboitizPower will face competition in both the development of new power generation facilities and the acquisition of existing power plants, as well as competition for financing these activities. The improving performance of the Philippine economy, the presence of a market to sell, such as the WESM, and the potential shortfall in the Philippines' energy supply have attracted many potential competitors, including multinational development groups and equipment suppliers, to explore opportunities in the development of electric power generation projects in the Philippines. Also, the new guidelines for FIT limit the total installed capacity for each renewable technology eligible for FIT rates. Accordingly, competition for and from new power projects may increase in line with the expected long-term economic growth of the Philippines.

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 provided that certain requirements related to the rendering of public services are met. AboitizPower intends to apply for the extension of each franchise upon its expiration. AboitizPower may face competition or opposition from third parties in connection with the renewal of these franchises. It should be noted that under Philippine law, a party wishing to secure a franchise to distribute electricity must first obtain a CPCN from the ERC, which requires that such party prove that it has the technical and financial competence to operate a distribution franchise, and that there is a need for such franchise. Ultimately, the Philippine Congress has absolute discretion in determining whether to issue new franchises or to renew existing franchises, and the acquisition by competitors of any of the Distribution Utilities' franchises could adversely affect the results of the AboitizPower's operations. However, with the commencement of retail competition and open access in Luzon and Visayas, the supply segment of the distribution business has become a contestable market, initially, for customers with at least an average of 12M demand.

FINANCIAL SERVICES

The Philippine Banking System (PBS) is composed of 676 banking institutions as of end-September 2013, of which 36 are categorized as universal and commercial banks, 71 as thrift banks and 569 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 ₱10.3 tn as of end-December 2013, up by 23.3% from the prior year. The universal and commercial banks account for 90% of the total resources. Total loans outstanding, excluding reverse repurchase agreements, grew by 16.1% ending the year at more than ₱4.3 tn.

As of year end 2013, UnionBank ranks ninth in terms of resources, seventh in deposit size, and eighth in terms of capital, per published consolidated financial statements (parent bank and financial subsidiaries), as reflected in the market shares shown below.

	2013 ⁵		2012 ⁶	
	Billion Pesos	%	Billion Pesos	%
Assets	391.1	3.9	275.0	3.4
Net Loans	107.3	2.5	81.6	2.2
Deposits	298.6	3.9	190.0	3.3
Capital	40.9	3.6	44.6	4.2

Amidst this operating environment, UnionBank leverages on its competitive advantages anchored on its superiortechnology, unique branch sales and service culture, and centralized backroom operations. As a result, the bank 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 most profitable in terms of return on equity, return on assets, and absolute income.

The bank’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 stands for “Financial Value, Operational Excellence, Customer Franchise, UnionBank Brand, and Superior Innovation”.

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, which has a plant in Davao.

REAL ESTATE

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

(vi) Purchase 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’s hydroelectric 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 in the case of LHC, possess water permits issued by the NWRB, which allow them to utilize the energy from a certain volume of water from the applicable source of the water flow.

⁵ Based on Consolidated Financial Reporting Package submitted to BSP.

⁶ Includes loans and discounts, net of general loan loss provision and reverse repurchase agreements but excludes interbank loans receivables.

Under the APA between APRI and PSALM for the Tiwi-MakBan complex, the management and operation of the geothermal fields, which supply steam to the power generation units, remain with Chevron Geothermal Philippines Holdings, Inc. (Chevron). The terms of the steam supply are governed by a GRSC under which price of steam is ultimately indexed to the Newcastle Coal Index and the Japanese Public Utilities (JPU) coal price. The effectivity of GRSC commenced on May 26, 2013. On August 14, 2013, an interim provision was added which states that if the spot market price is lower than GRSC price, Chevron will sell the fuel at 50% of the spot price for volumes above defined minimum levels (PMin). This allows APRI to be competitive and in turn reduce steam venting.

Therma Luzon has entered into long-term coal supply contracts for the Pagbilao Plant's annual coal requirements. Therma Luzon is continuously looking at and evaluating alternative sources to ensure security of supply.

Distribution Companies

Most of AboitizPower's Distribution Utilities have bilateral agreements with the NPC for the purchase of electricity, which set the rates for the purchase of the NPC's electricity. The following table sets out material terms of each Distribution Company's bilateral agreements with the NPC:

Distribution Company	Term of Agreement with NPC	Contract Energy (MWh per year)	Take or Pay	Pricing Formula
VECO	Extended; expiring on December 25, 2014	364,945	Yes	ERC approved NPC rate + ERC approved adjustments
Davao Light	10 years; expiring in December 2015	1,361,575	Yes	ERC approved NPC rate + ERC approved adjustments
Cotabato Light	10 years; expiring in December 2015	116,906	Yes	ERC approved NPC rate + ERC approved adjustments
MEZ	10 years; expiring in September 2015	114,680	Yes	ERC approved NPC rate + ERC approved adjustments

The rates at which Davao Light and SFELAPCO purchase electricity from AboitizPower's Generation Companies are established pursuant to the bilateral agreements that 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 ERC. 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 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 Therma Marine for 15 MW last March 21, 2011, and this was provisionally approved by ERC on May 30, 2011. On February 29, 2012, Davao Light and Therma Marine filed a Joint Manifestation with ERC stating that they agreed to supplement and modify their supply contract to 30 MW. Contract energy of 30 MW was made available to Davao Light starting March 1, 2012.

VECO has PPAs pursuant to which it 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. On October 16, 2009, VECO entered into an EPPA with Cebu Energy for the supply of 105 MW for 25 years to address VECO's long-term power supply requirement. VECO also signed a five-year contract for the supply of power from GCGI for 60 MW at 100% load factor. GCGI started supplying VECO on December 26, 2010. The company entered into a second PPA with GCGI for the supply of 15 MW starting December 25, 2011. This supply of power replaced NPC's reduction of its supply of power under its contract with VECO.

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. Under the current ERC regulations, the Distribution Utilities can purchase up to 90% of their electricity requirements using bilateral contracts.

Transmission Charges

Each of the Distribution Utilities has entered into a transmission service contract with NGCP for the use of the latter's transmission facilities in the distribution of electric power from the grid to its customers. The Distribution Utilities have negotiated agreements with NGCP in connection with the amount and form of security deposit that they will provide to NGCP to secure their obligations under their transmission services contracts.

Food Companies

AEV's food Subsidiaries import wheat, soybean meal and other grains mostly from various suppliers in the United States, Canada and Australia.

(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, 87% are covered by bilateral contracts with, among others, private distribution utilities, electric cooperatives, NPC, industrial and commercial companies. The remaining 13% is sold by the Generation Companies through the WESM.

Most of AboitizPower's Distribution Companies, 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.*

REAL ESTATE

AboitizLand's largest business unit, the residential real estate, targets a range of customers from middle to upper income brackets, and is not dependent on any single customer base. It is the company's industrial division, a recurring business, operated through CIPDI, which is dependent on Tsuneishi Holdings Corporation (THC) of Japan.

THC, a shipbuilding facility operator, is the main locator of WCIP whose other smaller locators also service the operations 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 AP (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 AP 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, an associate. 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 a new power plant and the ongoing repair and rehabilitation of certain generation assets.

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

The above related party transactions are discussed extensively in Note 31 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

On June 21, 2012, the Intellectual Property Office (IPO) issued a Certificate of Registration to AEV for its trademark "Driven to Lead, Driven to Excel, Driven to Serve." AboitizPower, was also granted Certificates of Registration by the Intellectual Property Office for the following: AboitizPower word mark, AboitizPower and Device, AboitizPower Spiral and Device, Alterspace, Alterspace and Device, A

Better Future, Better Solutions, CLEANERGY, Cleanergy Get It and Device, Cleanergy Got It and Device, and Cleanergy and Device.

Under the food group, Pilmico registered the following brands for its flour products: Wooden Spoon, Sun Moon Star, Sunshine, Glowing Sun, Kutitap, Gold Star, Megastar, Silver Star, Luna Cake Flour, Sola All Purpose Flour, Star Beam Soft Wheat Flour, Star Blaze Soft Wheat Flour, Sun Rays Hard Wheat Flour and Sun Rays Hard Wheat Flour and Sun Stream Hard Wheat Flour. PANC registered the following brands for corporate brand and tagline: Pilmico Feeds, Pilmico Animal Nutrition and Partners for Growth. For its swine product brands, PANC registered the following: Ultimax, Elite, Classic, Civic, Lakas Gatas, Lakas Mama and Supremecon; Poultry Express, AveMax and Gallimax for its poultry product brands; and Salto, Powermix and Angat Sarado for its gamefowl product brands.

The property group, represented by AboitizLand, holds four branding-related trademarks: the AboitizLand logo and device, the AboitizLand word mark, the 'Made for Life' tagline and device, and the logo's geometric symbol/s. These are implemented in all of the AboitizLand's corporate and project collaterals, issuances, representations and other relevant materials. The registration is good for 20 years, and AboitizLand has applied for its third Declaration of Actual Usage last May 21, 2012. It will re-apply for the fifth year of usage.

(x) Government Approvals

The businesses of AEV's power Subsidiaries are dependent on government franchises granted them.

AEV's power distribution Subsidiaries either have congressional franchises and certificate/s of public convenience issued by ERC or its predecessor, or PEZA licenses for the distribution companies operating within special economic zones.

AboitizPower's Generation Companies, as well as Davao Light and Cotabato Light which own generation facilities, are required under the EPIRA to obtain a COC from ERC for its generation facilities. They are also required to comply with technical, financial and environmental standards provided in existing laws and regulations in their operations.

The business of supplying electricity is currently being undertaken solely by franchised distribution utilities. However, once Open Access starts, the supply function will become competitive. Like power generation, the business of supplying electricity is not considered a public utility operation under the EPIRA. However, it is considered a business affected with public interest. As such, the EPIRA requires all suppliers of electricity to end-users in the contestable market, other than distribution utilities within their franchise areas, to obtain a license from ERC in accordance with the ERC's rules and regulations. In preparation for the implementation of Open Access, AboitizPower's wholly-owned Subsidiary, AESI, obtained a license to act as a RES on December 6, 2006, which was renewed for another five years from October 29, 2012.

As banking institutions, the business operations of UnionBank and its subsidiary, CitySavings are regulated by BSP, SEC and Philippine Deposit Insurance Commission. 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.

As of the date of this report, these Subsidiaries and Affiliates have the necessary government approvals, franchises, permits or licenses necessary to operate their respective businesses. The Group always strives to maintain a track record of quality services and complies with government regulations to justify and ensure renewal of such franchises or accreditations.

(xi) Effect of Existing or Probable Governmental Regulations

Balanced Housing Development

Section 18 of RA 7279, otherwise known as The Urban Development and Housing Act of 1992, requires every developer of a proposed subdivision project to develop a socialized housing project or enter a joint venture agreement with a Local Government Unit (LGU) to develop a socialized housing project.

In 2008, AboitizLand entered into an agreement with the City of Talisay, Cebu to build close to ₱10 mn worth of houses on a city-owned lot for the urban poor of the city. About a hundred families from the displaced families of the South Reclamation Project were awarded housing units complete with electrical and water provisions and toilets.

Two years later, another joint venture with the Municipality of Cordova was undertaken, wherein AboitizLand committed to build ₱5 mn worth of houses to service the under privileged sector of the municipality. In 2011, AboitizLand contributed close to ₱14 mn to the City of Mandaue's socialized housing program in Canduman, Tipolo, Guizo and Mantuyong.

Regulation in the Practice of Real Estate Service

The Real Estate Service Act of the Philippines (RA 9646) professionalizes real estate services, such as real estate brokerage, by requiring a licensure examination and registration. AboitizLand deals exclusively with licensed brokers to sell its products and services.

Wholesale Electricity Spot Market

WESM, a spot market for the buying and selling of electricity, is a mechanism established by the EPIRA to facilitate competition in the production and consumption of electricity. It aims to: (a) provide for the cost-efficient dispatch of power through an economic merit order; (b) create reliable price signals to assist participants in weighing sell and purchase options; and (c) provide a fair and level playing field for suppliers and buyers of electricity, wherein prices are driven by market forces.

WESM provides avenue whereby generators may sell power, and at the same time suppliers and wholesale consumers can purchase electricity even when no bilateral contract exists between the two. Although generators are allowed under WESM to transact through bilateral contracts, these contracts will have to be "offered" to the market for the purpose of determining 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.

Open Access and Retail Competition

The EPIRA likewise provides for a system of Open Access to transmission and distribution wires, whereby Transco, its concessionaire, 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:

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

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, ERC motu proprio initiated proceedings to determine whether Open Access may already be declared in Luzon and Visayas. Following various public hearings, ERC declared December 26, 2011 as the Open Access Date when full operations of the competitive retail electricity market in Luzon and Visayas shall commence. All electricity end-users with an average monthly peak demand of one MW for the 12 months preceding December 26, 2011, as certified by the ERC to be contestable customers, were given the right to choose their own electricity suppliers. However, on October 24, 2011, upon the request of MERALCO, 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, 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, ERC, together with 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 ERC in December 2012. Under the said rules, 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 will be developed and finalized, and registration of retail electricity suppliers and contestable customers into the WESM database will be instituted. The period from June 26, 2013 to December 25, 2013 will cover the initial commercial operation of Open Access. From December 26, 2013 onwards, full retail competition will be 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 the NPC in Mindanao has yet to be privatized. However, with the DOE initiative in the 4th quarter of 2012 to begin an interim electricity market in Mindanao, a competitive environment can be seen to be developed upon its formal establishment.

Unbundling of Rates and Removal of Subsidies

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

Implementation of the Performance-Based Rate-Setting Regulation (PBR)

On December 13, 2006, ERC issued the Rules for Setting Distribution Wheeling Rates 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 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 charges are adjusted upwards or downwards taking into consideration the utility's efficiency factor as against changes in overall consumer prices in the Philippines.

ERC has also implemented a Performance Incentive Scheme (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: (i) average duration of power outages, (ii) average time of restoration to customers and (iii) average time to respond to customer calls, with utilities being rewarded or penalized depending on their ability to meet these performance targets.

Cotabato Light is in its last regulatory year of its current regulatory period starting on April 1, 2009 up to March 31, 2013, for which the ERC has previously approved in its Final Determination the four-year ARR and PIS. In March 2012, ERC decided on Cotabato Light's application for rates translation, which will effectively be charged to its customers in the fourth regulatory year, from April 1, 2012 to March 31, 2013.

Likewise, Cotabato Light is already preparing for the upcoming reset process of its next regulatory period from April 1, 2013 to March 31, 2017. The activities will include among others, asset revaluation, forecasting operation and maintenance and capital expenditures and setting of new performance targets.

The reset process, however, is potentially delayed due to the absence of a position paper, the document covering the issues at hand and the information requirements for the upcoming reset. This is the result of ERC's direction of adopting a new set of procurement process for its regulatory reset experts, which has not been finalized. The said paper was supposed to be released in November 2011. As of year-end 2012, the regulatory reset process has been delayed by 13 months.

In March 2012, VECO and Davao Light filed their rate translation application for the third regulatory year from July 1, 2012 to June 30, 2013. Since implementation by VECO of the rate translation in the second regulatory year was delayed by one month, recovery for the under-recovery was included in its application for the third regulatory year.

ERC set the distribution, supply and metering charges of Davao Light and VECO in its Decisions dated October 29, 2012. Similarly, the under-recoveries arising from the delay are recoverable in the following regulatory year.

For SEZ's and SFELAPCO's first regulatory year covering October 1, 2011 to September 30, 2012, SEZ was able to implement the new rate schedule in January 2012, while SFELAPCO's implementation began in March 2012. The resulting under-recoveries from the lag starting from October 1, 2011 were included by SFELAPCO as under-recoveries in its rates filing in the second regulatory year, which was done in July 2012. SEZ, on the other hand, will be including its under-recoveries in its third regulatory year filing. The PBR rules allow such mechanism in its MAP formula.

Reduction of Taxes and Royalties on Indigenous Energy Resources

EPIRA mandates the President of the Philippines to reduce the royalties, returns and taxes collected from 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 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:

- (a) Disallowance of the recovery of stranded debts and contract costs by the NPC, PSALM, generation companies and distribution utilities;

- (b) Modification of the definition of the term “Aggregator,” which is proposed to mean a person or entity without legislative franchise which is duly licensed by the ERC to engage in consolidating electric power demands of end-users of electricity in a contestable market within a franchise territory of another party for the purpose of purchasing and reselling electricity on a group basis;
- (c) Imposition of an additional requirement that an IPP must have an existing purchased power contract with the NPC or a distribution utility;
- (d) Notice to interested parties and public hearing are required for the performance of the following acts:
 - (i) determination of the captive market by the ERC;
 - (ii) determination of contestable customers by the ERC;
 - (iii) determination of the method for computing the price of electricity in the WESM;
 - (iv) approval of transmission charges, wheeling charges, connection fees and retail rates by the ERC;
 - (v) determination of whether the cost of administering and operating the WESM shall be recovered by the market operator through a charge imposed on all market members
- (e) Modification of the definition of Subtransmission Assets to apply to all facilities of the same class regardless of voltage;
- (f) The use of “least cost” instead of “full recovery of prudent and reasonable economic costs” as the standard for the computation of retail rates by Distribution Utilities. “Least Cost” is defined as the efficient and effective rate that would be incurred to meet the requirement of the captive market of each distribution utility;
- (g) Electric cooperatives are given access to the missionary electrification fund collected through universal charges;
- (h) 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;
- (i) 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;
- (j) Prohibition against distribution utilities under bilateral electric power supply contracts from sourcing more than 33% of its total electric power supply requirements from a single generation company or from a group of generating companies wholly-owned or controlled by the same interests;
- (k) Addition of the following exceptions under Section 45 of EPIRA (Cross Ownership, Market Power Abuse and Anti-Competitive Behavior): (1) generating companies utilizing or producing power from site-specific indigenous and renewable energy source such as hydro, geothermal and wind power and (2) if the breach in market share limits is due to the temporary or permanent shutdown or non-operation of other generating facilities;

- (l) Exemption or deferral of the privatization of some assets of the NPC, such as the Unified Leyte (Tongonan) Geothermal Complexes, Agus and Polangui Complexes and Angat Dam;
- (m) Expansion of the definition of host communities to include all barangays, municipalities and provinces or regions which protect and maintain watersheds that are providing water supply to the dam or hydroelectric power generating facility;
- (n) Imposition of a uniform franchise tax for distribution utilities equivalent to 3% of gross income in lieu of all taxes; and
- (o) Provision of the following rights for consumers of electricity: (i) right to quality, reliable, safe and regular supply of electricity; (ii) right to courteous, prompt and nondiscriminatory service by electric service providers; (iii) right to transparent, non-discriminatory and reasonable price of electricity; (iv) right to access to information on matters affecting electric service; (v) right to prompt and speedy disposition of complaints; (vi) right to knowledge and freedom to choose electric service retailer upon implementation of retail competition; and (vii) right to organize as a consumer organization.

The Renewable Energy Act of 2008

RA 9513, or the Renewable Energy Act of 2008 (RE Law), was signed into law by Former President Arroyo on December 16, 2008 and became effective in January 2009.

Among the RE Law's declared policies is to (a) encourage and develop the use of the country's renewable energy (RE) resources to 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 gross income from 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. Micro-scale projects for communal purposes and non-commercial operations with capacities not exceeding 100 kW will not be subject to this government share.

The RE Law offers fiscal and non-fiscal incentives to RE developers, including developers of hybrid systems, subject to a certification by the DOE in consultation with the BOI. These incentives include income tax holiday 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, exclusively and actually used in RE facilities; special realty tax rates on equipment and machinery not exceeding 1.50% of the net book value; net operating loss carry-over; corporate tax rate of 10% after the seventh year; accelerated depreciation; zero-percent value-added tax on sale of fuel or power generated from emerging energy sources and purchases of local supply of goods, properties and services needed for the development, construction and installation of RE facilities; cash incentives for RE developers for missionary electrification; tax exemption on the sale of carbon emission credits; tax credit on domestic capital equipment and services.

All fiscal incentives apply to all RE capacities upon effectivity of the RE Law. RE producers from intermittent RE resources are given the option to pay transmission and wheeling charges on a per kilowatt-hour basis at a cost equivalent to the average per kilowatt-hour rate of all other electricity transmitted through the grid. On the other hand, electricity generated from emerging RE resources such as wind, solar, ocean, run-of-river hydropower and biomass are given 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 RE 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 Bureau of Internal Revenue (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, SNAP-Magat and SNAP-Benguet, filed on August 6, 2010 a request before the BIR Law Division for a ruling on the application of zero-rated value-added tax on all its local purchases of goods and services needed for the development of RE plant facilities, exploration and development of RE sources and their conversion into power. To date, the said request is still pending with the BIR Law Division.

In Resolution No. 10, Series of 2012, ERC adopted the following FIT and degression rates for electricity generated from biomass, ocean, 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

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

New ERC Regulation on Systems Loss Cap Reduction

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

Under the new 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 new system loss cap of 8.50%, citing circumstances peculiar to their respective franchise and beyond the control of VECO and Cotabato Light that affect the system loss incidence in their areas.

(xii) Research and Developmental 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) Compliance with Environmental Laws

Businesses under AEV are subject to extensive, evolving and increasingly stringent safety, health and environmental laws and regulations. These laws and regulations, such as the Clean Air Act (RA 8749), 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 said businesses 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 businesses' 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 Business Units closely monitor compliance to the requirements of these regulations.

Under the Food Group, Pilmico merited a re-certification for ISO 9001:2008, Hazard Analysis and Critical Points Control (HACCP) and Good Manufacturing Practice (GMP). PANC is scheduled for a re-certification audit of the abovementioned certifications in June 2014.

In addition to the standard regulations that govern the businesses under AEV, the Food Group is also regulated by the Environmental Impact Statement System (PD 1586).

In 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 exempted from RA 6969 since its waste oil is recovered and fed back to its engines, using the waste oil recovery system.

(xiv) Employees

As of March 31, 2014, AEV has a total of 227 employees composed of executives, managers, supervisors, rank, and file and contractual employees. There is no existing collective bargaining agreement (CBA) covering AEV employees. The Company cannot anticipate the employees it expects to have for the succeeding year because of the dynamic nature of its businesses.

The following table provides a breakdown of total employee headcount per strategic business unit, divided by function, as of March 31, 2014:

Number of Employees	Business Unit				
	AEV	UnionBank and Subsidiaries	Pilmico and Subsidiaries	AboitizLand and Subsidiaries	AboitizPower And Subsidiaries
Executives	38	129	19	8	109
Managers	38	929	48	46	206
Supervisors	34	1,095	170	95	440
Rank & File	111	1,239	186	141	1,619
Contractual	6	0	15	0	469
TOTAL	227	3,392	438	290	2,843
Unionized Employees	N/A	1,161	23 (Pilmico)	N/A	634
Expiry of CBA	N/A	UnionBank - May	May 31, 2014	N/A	APRI - May 2, 2017

		2015 CitySavings- May31, 2015	(Pilmico)		Cotabato Light - June 30, 2014 Davao Light - June 15, 2016 Hedcor - September 19, 2017 VECO - December 31, 2016 SFELAPCO - May 11, 2014
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(xiv) 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 AEV and its businesses. AEV constantly strives to address the risks it might encounter in the businesses in which it is involved. Certain risks however are inherent to specific industries that are not within the direct control of AEV or its investee companies. Of note are the following risks:

Reputational 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 of the fact that the reputation it has today took generations to strengthen and it is therefore something that the Company wants to protect, build and enhance continuously.

Today’s world of higher corporate governance standards coupled with the rise of civil society groups, 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 understanding of its reputational terrain, which has now expanded from the usual general public to its very own team members, partners, shareholders, lenders, communities in which it operates, non-governmental organizations, regulators, advocacy groups, traditional media and social media.

The views of its stakeholders and their perception of the image that the Company communicates over time determine the employer brand, societal and regulatory brand, customer brand and shareholder brand.

At AEV, managing reputational risk, which could be the effect of an occurrence of another risk, is done through: (a) building the Company’s capability through a formalized governance structure and intelligence process; (b) implementing anticipatory issues management; (c) developing and implementing a Group-wide social media policy and strategy; (d) developing brand champions and brand advocates among its team members through effective corporate communication and branding programs; (e) ensuring brand integrity by establishing reputation metrics; and (f) integrating sustainable practices across the value chain and ensuring that long-term decisions balance the interest of people, planet and profit.

Competition Risk

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

To strengthen competitive advantage and maximize opportunities, more robust and comprehensive strategic planning processes have been put in place by the Company to formalize processes and focus efforts on maximizing strengths and in addressing weaknesses.

Integration of Enterprise Risk Management (ERM) process into the strategic planning process is being performed, with the intent of creating synergy that leverage and reinforce both processes.

The Philippines’ strong growth in Gross Domestic Product (GDP), the roll-out of the government’s Public-Private Partnership (PPP) Program, as well as the robustness and liquidity of the country’s

financial system provides AEV and its Business Units with opportunities to sustain growth over the long-term. The AEV Business Development organization is strategically set-up primarily to capture opportunities in the PPP program and in other sectors. The Company focuses on opportunities which are scalable, can further leverage on its core competencies, are deemed acceptable from both a risk and return perspective, and provide strong recurring profits and cash flow.

Regulatory Risk

The complexity of the business and regulatory landscape is increasing dramatically. Several of AEV's investments, particularly in the power and banking sectors, are now being subject to more stringent regulations.

Corporations in the Philippines are navigating through new and more stringent regulatory requirements with relatively higher stakeholder expectations. 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, the power sector of the Company has a dedicated regulatory team that works very closely with the Generation Companies and Distribution Companies, as well as maintains working relations with the DOE and other regulatory agencies. This includes actively participating in the consultative processes that lead to the development of rules and regulatory policies covering the industry. The regulatory team has also developed a strategy anchored on a long term perspective in anticipation of a possible new or change in existing regulations.

For AEV's Business Unit 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 the bank's internal policies, industry-accepted standards, and corporate governance best practices and principles.

Business Interruption Due to Natural Calamities and Critical Equipment Breakdown

Loss of critical functions and equipment caused by natural calamities such as earthquakes, windstorms, typhoons and floods could result in a significant interruption of the businesses within the Aboitiz Group. Interruption may also be caused by other factors such as major equipment failures, software, network, and applications 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. 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.

To ensure the continuity of operations in the event of a business interruption, AEV and its Subsidiaries have completed the development of Business Continuity Plans in 2013. The Group's recent experience with Typhoon Yolanda and the Bohol earthquake provided the Company with valuable lessons on further enhancing its business continuity plans, responses and capabilities. These enhancements will be implemented in 2014.

Financial Risks

In the course of the operation of AEV and its Business Units, the Company is 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; 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.

Commodity Price Risk

Certain AEV Subsidiaries and Affiliates, particularly the Business Units engaged in food and power, have raw material and fuel requirements that are subject to price, freight and foreign exchange 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 respective management teams of the Business Units have taken a more active role in understanding the markets, including entering into contracts and hedge positions with the different suppliers of commodities. In 2014, a Commodity Risk Management framework will be developed to help improve existing capabilities in managing and reducing uncertainty relating to certain commodities.

The Power Group is undertaking a deliberate shift to capacity-based contracts for the bulk of its PSAs. Such contracts come with a provision for the full pass-through of fuel costs for the energy generated by the Business Units. This minimizes the impact of volatility in commodity prices to AboitizPower's operating and financial performance.

Project Risk

AEV is looking at major investment opportunities and projects in 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.

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

Working Capital

For 2013, AEV derived its working capital mainly from the steady cash flow generated and contributed by its Subsidiaries and Affiliates.

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. Its offices at the NAC Tower, 32nd Street, Bonifacio Global City, Taguig City, Metro Manila, Philippines is leased from Manta Equities, Inc. for a period of ten years, renewable for another five years. Manta Equities, Inc. has no relationship to the Company.

On a consolidated basis, the property, plant and equipment of the Group were valued at ₱112.72 bn and ₱90.23 bn as of December 31, 2013 and 2012, respectively. Breakdown of these assets is as follows:

	2013	2012
Power, Plant & Equipment	P84,097,522	P75,682,386
Transmission & Distribution Equipment	14,034,818	5,917,635
Machinery & Equipment	4,577,172	4,086,053
Buildings, Warehouses and Improvements	5,298,210	4,460,015
Office Furniture, Fixtures and Equipment	3,445,489	1,629,325
Transportation Equipment	1,256,296	901,921
Land	1,549,874	1,225,481
Leasehold Improvements	1,355,551	734,279
Handling Equipment	246,092	258,059
Flight Equipment	997,521	997,521
Ships Under Refurbishment and Construction in Progress	21,554,513	12,565,240
Others	989,349	638,431
	139,402,407	109,096,346
Less: Accumulated Depreciation and Amortization	26,680,500	18,867,570
TOTALS	P112,721,907	P90,228,776

Note: Values for the above table are in thousand Philippine Pesos.

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

SUBSIDIARY	DESCRIPTION	LOCATION/ADDRESS	CONDITION
Cotabato Light & Power Company	Industrial land, buildings/plants, equipment & machineries	Sinsuat Avenue, Cotabato City	In use for operations
Davao Light & Power Co., Inc.	Industrial land, buildings/plants, equipment & machineries	P. Reyes Street, Davao City; Bajada, Davao City	In use for operations
Pilmico Foods Corporation	Industrial land, buildings/plants, equipment & machineries	Kiwalan Cove, Dalipuga, Iligan City	In use for operations
Hedcor, Inc.	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, Inc.	Hydropower plant	Santa Cruz, Sibulan, Davao del Sur	In use for operations
Cebu Private Power Corporation	Bunker C thermal power plant	Cebu City, Cebu	In use for operations
East Asia Utilities Corporation	Bunker C thermal plant	Lapu-Lapu City, Mactan, Cebu	In use for operations
AP Renewables, Inc.	Geothermal power plants	Tiwi, Albay; Caluan, Laguna and Sto. Tomas, Batangas	In use for operations
Therma Marine, Inc.	Barge-mounted diesel power plants	Nasipit, Agusan del Norte; Barangay San Roque, Maco, Compostela Valley	In use for operations
Pilmico Animal Nutrition Corporation	Industrial land, building/plant equipment & machineries	Barangay Sto. Domingo II, Capas, Tarlac	In use for operations

SUBSIDIARY	DESCRIPTION	LOCATION/ADDRESS	CONDITION
Therma Mobile, Inc.	Barge-mounted diesel power plants	G/F PFDA Bldg. Navotas Fishport Complex, Navotas City	In use for operations
Therma Visayas, Inc. (formerly: Vesper Industrial & Development Corporation)	Land	Bato, Toledo, Cebu	For plant site
Therma South, Inc.	Land	Davao City and Davao del Sur	For plant site
Aboitiz Land, Inc.	Raw land and improvements	Metro Cebu, Balamban, Cordova, Mactan, Liloan, Samar, Misamis Oriental, Davao	Existing or undergoing development; for future use
Lima Land, Inc.	Raw land and improvements	Lipa and Malvar, Batangas	Existing or undergoing development; for future use

Therma South's property located at Davao City and Davao del Sur is currently mortgaged as security for the company's ₱24 bn syndicated loan. The syndicated loan was secured to finance the development, engineering, design, construction, operation and maintenance of the company's electric power generation facilities in Davao.

Item 3. Legal Proceedings

Material Pending Legal Proceedings

AEV and its Subsidiaries and Affiliates are involved in various legal actions, most of which occur in the ordinary course of business. However, AEV does not expect that the results of any of these actions will have a material effect on the Company's financial position.

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 within the past two years and first quarter of 2014 were as follows:

	2014		2013		2012	
	High	Low	High	Low	High	Low
First Quarter	61.50	50.10	60.30	52.90	54.80	40.20
Second Quarter	NA	NA	58.40	40.00	53.90	45.00
Third Quarter	NA	NA	50.95	41.25	49.45	47.00
Fourth Quarter	NA	NA	55.00	45.70	52.95	47.90

As of March 31, 2014, AEV has 9,616 shareholders. Common shares outstanding as of the same date totaled 5,521,871,821. The closing price of AEV common shares, as of March 31, 2014 and April 11, 2014, is ₱56.00 and ₱57.35 per share, respectively.

(2) Holder

The top 20 stockholders of AEV as of March 31, 2014 are as follows:

	STOCKHOLDERS	NATIONALITY	NUMBER OF SHARES	PERCENTAGE
1	Aboitiz & Company, Inc.	Filipino	2,735,600,915	49.54%
2	PCD Nominee Corporation (Filipino)	Filipino	555,979,566	10.07%
3	PCD Nominee Corporation (Foreign)	Non-Filipino	537,793,725	9.74%
4	Ramon Aboitiz Foundation, Inc.	Filipino	424,538,863	7.69%
5	Sanfil Management Corporation	Filipino	120,790,211	2.19%
6	Chanton Management & Development Corporation	Filipino	62,118,484	1.13%
7	Windemere Management & Development Corporation	Filipino	47,666,352	0.86%
8	Donya 1 Management & Development Corporation	Filipino	43,136,359	0.78%
9	Morefund Management & Development Corporation	Filipino	40,000,000	0.72%
10	Anso Management Corporation	Filipino	34,369,707	0.62%
11	Bauhinia Management Inc.	Filipino	32,643,799	0.59%
12	Mario Ugarte	Filipino	23,531,731	0.43%
13	MYA Management & Development Corporation	Filipino	22,494,414	0.41%
14	Parraz Development Corporation	Filipino	22,380,003	0.41%
15	Les Folatieres Holdings, Inc.	Filipino	20,779,308	0.38%
16	Luis Miguel O. Aboitiz	Filipino	20,092,133	0.36%
17	Guada Valley Holdings Corporation	Filipino	17,688,445	0.32%
18	Melissa Marie O. Aboitiz	Filipino	15,654,815	0.28%
19	M.M.M. Holdings, Inc.	Filipino	15,000,000	0.27%
20	Ma. Cristina; Jaime Jose Aboitiz; Luis Alfonso Aboitiz	Filipino	13,605,767	0.25%

	SUB-TOTAL		4,805,864,597	87.03%
	Other Stockholders		716,007,224	12.97%
	TOTAL SHARES		5,521,871,821	100.00%
	NET ISSUED AND OUTSTANDING SHARES		5,521,871,821	100.00%

(3) Dividends

The cash dividends declared by AEV to common stockholders from fiscal year 2012 to the first quarter of 2014 are shown in the table below:

Year	Cash Dividend Per Share	Total Declared	Record Date
2014 (regular)	₱1.27	₱7.01 bn	03/25/2014
2014 (special)	₱0.53	₱2.93 bn	03/25/2014
2013 (regular)	₱1.44	₱7.95 bn	03/19/2013
2013 (special)	₱0.56	₱3.09 bn	03/19/2013
2012	₱1.58	₱8.7 bn	03/16/2012

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

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 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 following are the details of the corporate notes held by institutional investors as of December 31, 2013:

NOTEHOLDERS TRANCHE 1	AMOUNT DUE
Bank of the Philippine Islands	₱496,250,000.00
BPI AMTG as Investment Manager for ALFM Peso Bond	694,750,000.00
TOTAL	₱1,191,000,000.00

Recent Issuance of Registered Debt Securities

On September 26, 2013, the Board of Directors of AEV approved the issuance of up to the aggregate amount of ₱10 bn in retail bonds with tenors of seven and ten years (the "Bonds"). First Metro Investment Corporation was appointed as Issue Manager and Lead Underwriter for the issuance of the Bonds. AEV also appointed Metropolitan Bank and Trust Company – 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 Philippine Rating Services Corporation. Of the aggregate amount of ₱10 bn, ₱8 bn were subsequently listed with the Philippine Dealing and Exchange Corporation (PDEX) on November 21, 2013.

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 shall be calculated on a 30/360-day count basis and shall be paid quarterly in arrears starting February 21, 2014 for the first interest payment date and May 21, August 21, November 21 and February 21 of each year for each subsequent interest payment date at which the bonds are outstanding or the subsequent banking day without adjustment if such interest payment date is not a banking day.

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

Use of Proceeds

Following the offer and sale of the Bonds, AEV received the aggregate amount of ₱8 bn as proceeds from the said debt raising exercise. Below is the summary of the projected usage of the proceeds of the bond issuance as reported in AEV's prospectus compared with its actual usage as of December 31, 2013.

	Projected Usage (Per Prospectus) (in Pesos)	Actual Usage (in Pesos)	Unused Proceeds (in Pesos)
AboitizLand – JV with Ayala Land, Inc.	₱1,499,600,000.00		₱1,499,600,000.00
AboitizLand – Additional landbank purchases	500,000,000.00		500,000,000.00
AboitizLand –Purchase of Lima Land Shares	1,545,500,000.00	1,546,000,000.00	(500,000.00)
Sub-total	3,545,100,000.00	1,546,000,000.00	1,999,100,000.00
Payment of Existing Short-term Debt to Finance:			
Capital Infusion into AEV Aviation	500,000,000.00	500,000,000.00	-
Purchase of UBP shares in 2012	1,030,000,000.00	1,030,000,000.00	-
Purchase of UBP 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	43,472,520.00	578,964,521.00
Bond Issuance Costs	79,603,125.00	86,113,658.00	(6,510,533.00)
Other General Corporate Purposes	454,859,834.00		454,859,834.00
TOTAL	₱8,000,000,000.00	₱4,973,586,178.00	₱3,026,413,822.00

Item 6. Management's Discussion and Analysis of Financial Condition and Results of Operations or Plan of Action

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 INVESTEEES	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
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 INVESTEEES

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 fee-based 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 (P541.5 million vs P2.35 billion in 2013) mainly due to foreign exchange (FX) losses (P1.99 billion losses vs P1.62 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 P1.3 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 (P887 million vs P1.91 billion in 2012) was mainly due to the P898 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 P358 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 P1.55 billion in 2012 to P1.78 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 P23.31 billion in 2012 to P16.98 billion in 2013. This was mainly due to the 1538% increase (P4.25 billion vs P259 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 P247 billion as of December 31, 2013, due to the following:

- a. Cash & Cash Equivalents increased by 7% (P36.12 billion vs P33.73 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% (P8.76 billion vs P5.82 billion in December 2012) substantially due to the first-time consolidation of Lima Land and VECO inventories amounting to P2.15 billion and P498 million, respectively.
- c. Derivative asset increased by P28 million (P31 million vs P3 million as of December 31, 2012) due to the mark-to-market 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% (P3.90 billion vs P2.48 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 P27.23 billion combined increase in Property, Plant and Equipment (PPE) and Land and Improvements (LI) was mainly due to the following: 1.) P1.65 billion rehabilitation of geothermal power plant and power barges; 2.) P14.29 billion on-going construction of Davao coal and Tudaya hydro power plants; 3.) P2.28 billion capital expenditures spent by the rest of the subsidiaries; 4.) P2.01 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 P5.90 billion and P1.10 billion, respectively.

- f. Deferred Income Tax Assets increased by 128% (P610 million vs P268 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% (P8.37 billion vs P5.57 billion as of December 31, 2012) due to the P1.65 billion build-up of deferred input VAT by the power group arising from the ongoing construction of its coal power plant, and the P3.05 billion franchise recognized in 2013 resulting from the consolidation of VECO. Said increase was partially countered by the P1.97 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% (P17.53 billion vs P24.64 billion as of December 31, 2012) mainly due to the deconsolidation of CSB's loans receivable amounting to P13.33 billion. This decrease was partially offset by the P6.23 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 P610 million (P47.91 billion vs P48.52 billion as of December 31, 2012) mainly due to 1.) recognition of P4.2 billion share of a banking associate's mark-to-market losses on its AFS investments; 2.) collection of P6.21 billion cash dividends from associates; and 3.) elimination of P1.03 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 P2.04 billion purchase of UBP shares and the recording of P10.60 billion share in earnings of associates.
- c. Available-for-Sale (AFS) Investments decreased by 13% (P65 million vs P74 million in December 2012) mainly due to the sale of certain AFS investments.
- d. Pension Asset decreased by 51% (P100 million vs P203 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 P305 million (P1.33 billion vs P1.64 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 P644 million goodwill which had to be de-consolidated upon sale of said investment in 2013. Impairment of goodwill amounting to P369 million on the investment in MEZ was also recognized in 2013. These were partly offset by increases attributed to the P708 million goodwill recognized from the Lima Land acquisition and VECO step acquisition.

Liabilities

Consolidated short-term bank loans reduced by 40% (P3.96 billion vs P6.59 billion in December 2012) while long-term liabilities increased by 16% (P91.67 billion vs P78.74 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 P12.93 billion rise in long-term debt was due to P20.78 billion new loans of the power group, P8.0 billion bond issue of AEV and P767 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 P9.1 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.

Outlook for the Upcoming Year/Known Trends, Events, Uncertainties which may have Material Impact on Registrant

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

Nevertheless, some challenges facing its subsidiary AboitizPower will impact on the holding company's financial performance in 2014.

New Business Development

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

1. Production of Liquid Biomethane

In June 2012, AEV partnered with British company GazAsia Ltd. to build a plant that produces liquid bio-methane fuel from organic wastes derived from municipal solid wastes and other forms of organic wastes.

AseaGas Corporation (AseaGas), the company that will undertake this project, will employ existing and proven technology to produce bio-methane gas and liquefy it for transportation purposes. It will apply for registration with the Department of Energy as a Renewable Energy (RE) developer in order to avail of the incentives under the RE Law. The company's income will be derived from the sale of bio-methane fuel for vehicles.

AEV's wholly-owned subsidiary, AseaGas, will invest US\$47 mn for an initial plant with capacity of around 9,000 metric tons of biomethane per year. The company already started ground breaking for the first plant last March 18, 2014 and the project is expected to be completed by December 2015. Should the pilot project be successful, then operations could be easily scaled up.

2. Davao Bulk Water Supply Project

AEV has agreed to enter into a joint venture with J.V. Angeles Construction Corp. (JVACC) to jointly construct both a raw water treatment facility with RE component and conveyance system which will deliver 300 Million Liters per Day (MLD) of treated bulk water to Davao City, the third largest city in the Philippines.

AEV, through its affiliate Hedcor, Inc. will provide the technical and operational expertise for the hydro-electric component of the project. On the other hand, JVACC will bring to the partnership its 48 years of experience in construction and development of water-related infrastructure.

JVACC submitted an unsolicited proposal to the local water agency in early 2013. Together with AEV as part of the JVACC consortium, the group is presently undergoing the Competitive Challenge period under the 2008 NEDA JV Guidelines. The final structure of the joint venture company shall be determined in due course by the parties involved.

Power (Generation Business)

1. Ancillary Services

SN AboitizPower, a partnership between AboitizPower and SN Power Invest AS, is currently providing ancillary services to National Grid Corporation of the Philippines (NGCP) under an Ancillary Services Procurement Agreement (ASPA). The ASPA for Magat expired last November 5, 2012 while Binga's ASPA expired on June 25, 2013.

AboitizPower earlier disclosed that its affiliates, SN AboitizPower – Magat, Inc., and SN AboitizPower – Benguet, Inc., have respectively signed ASPAs with NGCP for the provision of regulating, contingency, and dispatchable reserves from the Magat and Ambuklao Hydroelectric Power Plants. Another affiliate, Therma Luzon, Inc. (TLI), which runs the Pagbilao Coal Plant, also signed an ASPA with the NGCP covering both firm and non-firm capacities for contingency reserve. The ASPAs of Magat and Ambuklao shall be valid for three years once the approval of the Energy Regulatory Commission (ERC) for the contract has been secured. On the other hand, TLI's ASPA is valid for a period of five years from the date of approval by the ERC. The issuance of a provisional authority (PA) from the ERC paved the way for the implementation of the new ASPAs for the Magat, Ambuklao and Pagbilao plants starting July 26, 2013.

For Magat, ERC provisionally approved the ASPA rates with some revisions. SN AboitizPower filed a Motion for Reconsideration (MR) for the Magat ASPA, which remains unresolved while the final approval is still pending.

The ERC also issued a PA on the Ambuklao ASPA signed by SN AboitizPower and NGCP. SN AboitizPower filed an MR with the ERC on the PA. Both the MR and the Final Approval of the Ambuklao ASPA are still pending with the ERC. In the meantime, both parties have yet to implement the Ambuklao ASPA due to ongoing discussions on the technical parameters of the service to be rendered.

SN AboitizPower-Benguet also signed an ASPA for the provision of non-firm capacities for regulating reserve, contingency reserve, dispatchable reserve and blackstart capability from the Binga hydroelectric power plant. As of February 2014, SN AboitizPower-Benguet received the order from the ERC provisionally approving the ASPA between the company (Binga) and NGCP. SN AboitizPower filed an MR on the methodology of payment.

AboitizPower believes that the implementation of the new ASPAs will result in a significant reduction in the company's ancillary revenues due to the restructuring of the pricing mechanism for ancillary services, which used to be linked to spot market rates. On the other hand, the addition of the Ambuklao and Pagbilao plants as licensed ancillary service providers will help offset the expected decline in ancillary revenue.

2. Conversion of AP Renewables, Inc.'s (APRI) existing steam contract to a Geothermal Resource Sales Contract

On May 26, 2013, APRI's current steam supply contract with the Philippine Geothermal Production Corporation (PGPC, formerly known as Chevron) shifted to a Geothermal Resource Sales Contract (GRSC). The change is due to an existing provision under the government's existing contract with Chevron 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 PGPC will be at a premium to coal. Due to competition from coal plants, the contracts of APRI mimic that of coal plants, including the proportion of fuel to total cost of power.

To ensure that APRI will continue to remain competitive in the market, a two-month interim agreement supplementing the GRSC was implemented on August 14, 2013. This will result in a lower fuel cost during off-peak hours, thus allowing AboitizPower to maximize sales even during this period. The agreement is currently being extended every two months. Ultimately, the company aims to close a more permanent agreement with the steam supplier that will also enable the full development of the existing steam field and maximize utilization of the Tiwi-Makban plants.

3. Expiration of Income Tax Holiday

Several of the AboitizPower's plants were eligible for an income tax holiday (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. In 2014, the ITH of TLI and SN AboitizPower-Magat will expire.

SN AboitizPower-Magat

The Board of Investments (BOI) approved SN AboitizPower-Magat's application to avail of the one-year bonus ITH under Executive Order No. 226 (Omnibus Investments Code of 1987) which pushed the original expiration from July 11, 2013 to July 11, 2014. After the lapse of SN AboitizPower-Magat's ITH this year, it is now liable to pay income tax, which would be whatever is higher between 30% regular corporate income tax based on net income or 2% minimum corporate income tax based on gross income

Therma Luzon, Inc.

On February 26, 2010, the BOI approved TLI's application as a New Independent Power Producer (IPP) Administrator of the 700 MW Pagbilao Coal Fired Thermal Power Plant Project under Energy with Non-Pioneer Status under the Omnibus Investments Code of 1987. On April 21, 2010, the BOI granted the company's request for the adjustment of the commencement of its ITH availment period from February 26, 2010 to January 1, 2010.

Among other incentives, the BOI granted the company an ITH for a period of four years without extension from January 1, 2010 or actual start of operation, whichever is earlier but in no case earlier than the date of registration. The ITH incentives shall be limited only to the sales/revenue generated

from the sale of electricity of the power plant. Based on this schedule, TLI will now be subject to a 30% corporate income tax beginning January 2014.

4. Continued growth in the Power Group's attributable capacity

Notwithstanding the challenges over the short-term, subsidiary 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

600 MW (net) Coal-Fired Power Plant in Subic. This is a project by Redondo Peninsula Energy, Inc. (RP Energy), a joint venture among Meralco PowerGen Corporation (MPGC), Aboitiz subsidiary Therma Power, Inc. (TPI) and Taiwan Cogeneration International Corporation (TCIC). AboitizPower, through TPI will have an equity interest of 25% in RP Energy. The project involves the construction and operation of a 2x300 MW (net) circulating-fluidized-bed (CFB) coal-fired power plant located within the Subic Bay Freeport Zone. On November 15, 2012, RP Energy was issued an amended Environmental Compliance Certificate to cover two high-efficiency 300-MW (net) units with main steam reheat systems. Site preparation is substantially completed. The EPC contract has been awarded to Hyundai with Foster Wheeler and Toshiba as major subcontractors/suppliers of the CFB boilers and turbine-generators, respectively.

Hyundai has not been notified to proceed with the works, however, because of the filing with the Supreme Court of a petition for a Writ of Kalikasan and environmental protection order by an ad hoc group of individuals and organizations. The petition was remanded to the Court of Appeals for a hearing. The Court of Appeals denied the issuance of Writ of Kalikasan for lack of merit, but nonetheless, nullified RP Energy's Environmental Compliance Certificate and land lease with SBMA on grounds of DENR non-compliance with procedural requirements and SBMA failure to secure LGU approvals/endorsements, respectively. This decision is the subject of three Petitions for Review on Certiorari to the Supreme Court filed by RP Energy, DENR and SBMA that may require the first semester of 2014 to resolve. In view of the legal dispute, the commercial operation of the power plant is now estimated to begin in mid to late 2017.

300 MW CFB Coal-Fired Power Plant in Davao. AboitizPower, through 100%-owned subsidiary Therma South, Inc. (TSI), is putting up a 2x150 MW CFB coal-fired power plant in Davao, which is the biggest load center in the island of Mindanao. The project broke ground in May 2012. The EPC contract for the power block was awarded to Formosa Heavy Industries (FHI) with FHI supplying the CFB boilers and Fuji as major subcontractor/supplier of the turbinegenerators. The EPC contract for the balance of plant equipment and their integration with the power block was awarded to a consortium of Black & Veatch Corporation and Leighton Contractors (Philippines), Inc. Commissioning and testing of the first unit is expected to begin during the fourth quarter of 2014. The facility is expected to become fully operational within the first half of 2015, thereby providing Mindanao with the much-needed reliable, competitively-priced and environmentally-safe baseload power.

400 MW (net) Pulverized Coal-Fired Power Plant in Pagbilao, Quezon. On September 27, 2011, AboitizPower signed a Memorandum of Understanding with Marubeni Corporation (Marubeni) to formalize their intention to jointly develop, construct and operate a coal-fired power plant with a capacity of approximately 400 MW (net). The proposed location will be within the premises of the existing 735 MW (net) Pagbilao Units I and II Coal Fired Thermal Power Plant in Quezon province. The terms and conditions of the joint investment will be finalized in a definitive shareholder agreement to be agreed upon by the parties. Marubeni and Tokyo Electric are shareholders of TeaM Energy Corporation (TeaM Energy), which owns and operates the Pagbilao Units I and II under a build-operate-transfer contract with the

National Power Corporation (NPC). On the other hand, AboitizPower, through wholly owned subsidiary TLI, is the IPP Administrator of the Energy Conversion Agreement between TeaM Energy and NPC under an IPP Administration Agreement with the Power Sector Assets and Liabilities Management Corporation (PSALM), which manages the assets and IPP contracts of NPC. TeaM Energy and TLI will form Pagbilao Energy Corporation to own Unit 3. The terms and conditions of the joint investment will be finalized in a definitive shareholder agreement between the Parties. Commercial operations of Unit 3 are targeted within the year 2017.

300-MW (net) CFB Coal-Fired Project in Toledo City, Cebu. AboitizPower, through 100%-owned subsidiary, Therma Visayas, Inc. (TVI), is developing a 2 x 150-MW (net) coal-fired power project in Toledo City. The project site was acquired in December 2011. The Environmental Compliance Certificate for the project was issued in May 2013.

Technical specifications, contract drawings, contract conditions, and requests for EPC proposals were issued on July 15, 2013, with a submittal deadline of November 15, 2013, thereafter extended to November 29, 2013. The evaluation of the three EPC proposals received has been completed. EPC contract award to the winning bidder and issuance of a limited notice to proceed (NTP) with engineering design and site preparation construction is expected on or before April 15, 2014, with the NTP with all EPC activities to follow in September. Turnover of the first unit is targeted for the second quarter of 2017, with the second following three months thereafter.

7 MW Tudaya 1 Hydro Power Plant Project. Hedcor Sibulan, Inc. (Hedcor Sibulan) started the construction of Tudaya 1 which is located upstream of the existing Sibulan A pondage in the third quarter of 2012. Currently at commissioning stage, it is expected to commercially operate after the issuance of the Certificate of Compliance from the Energy Regulatory Commission (ERC). The energy produced by Tudaya 1 is sold to Davao Light through the power supply agreement signed in 2007.

6.6 MW Tudaya 2 Hydro Power Plant Project. AboitizPower's wholly owned subsidiary Hedcor Tudaya, Inc. (Hedcor Tudaya) has started the construction of Tudaya 2 located downstream of the existing Sibulan B. The project which commenced construction in the third quarter of 2012 is already 100% complete, and it is currently under test and commissioning. The plant, which is intended to sell through the Feed-in-tariff (FIT) mechanism once the FIT becomes effective has signed a power supply agreement with DASURECO. A composite team from the Department of Energy (DOE) validated the eligibility of Tudaya 2 as a FIT-eligible plant.

14 MW Sabangan Hydro Power Plant Project. This involves the construction and operation of a hydro power plant facility in Mt. Province, a province located in Northern Luzon. This project will be undertaken by a wholly owned subsidiary of AboitizPower, Hedcor Sabangan, Inc. The project, which is the first to be constructed in Mt. Province, will take approximately 24 months to construct and has commenced construction in May 2013.

68 MW Manolo Fortich Hydro Power Plant Project. Hedcor Bukidnon, Inc (Hedcor Bukidnon) is currently undertaking the feasibility studies of Manolo Fortich, which is composed of the 43 MW Manolo Fortich 1 and 25 MW Manolo Fortich 2. Hedcor Bukidnon has completed the MOA with the local government units. It is currently completing the permits and licenses until end of April 2014, after which a 24-month construction period will follow.

12 MW Hedcor Tamugan Hydro Power Plant Project. In 2010, AboitizPower's wholly owned subsidiary, Hedcor Tamugan, Inc. (Hedcor Tamugan) has reached an agreement with the Davao City Water District on the use of the Tamugan river. Originally planned as a 27.5 MW run-of-river facility, Hedcor Tamugan submitted a new proposal, which involves the construction of a 12 MW hydropower plant. Hedcor Tamugan is waiting for the Davao City

council to approve the project. Once approval and permits are secured, the two-year construction period will commence.

Other Greenfield and Brownfield developments. AboitizPower, together with its subsidiaries and associate company, is conducting feasibility studies for potential Greenfield and Brownfield projects.

- AboitizPower is actively exploring the viability of developing wind power projects and photovoltaic solar projects consistent with the company's focus on environmental sustainability and diversified power generation technologies, among others.
- SN AboitizPower is continuing its focus on growth through Greenfield development with new opportunities being sought and 380 MW of projects undergoing feasibility studies. The company, in partnership with the National Irrigation Administration (NIA) commenced the rehabilitation and raising of the Maris dam. The project aims to rehabilitate the re-regulating Maris dam downstream of the Magat dam in order to modernize its operations and provide operational flexibility for both irrigation and power generation purposes.

Additionally, SN AboitizPower secured renewable energy service contracts (RESC) from the DOE at the close of 2013 for a twin mini-hydro facility project along the Maris Canal. Under Maris Main Canal 1 Project, a 6MW hydroelectric power plant will be constructed at the Ramon, Isabela side of the irrigation canal while a 1.75MW hydro facility at the Alfonso Lista, Ifugao side will be developed under Maris Main Canal 2 Project. Both plants are "run-of-river-type" facilities that will make use of the same water that will flow through the canal for irrigation requirements.

- Hedcor is conducting feasibility studies for potential hydropower projects located in Luzon, Visayas, and Mindanao. Based on current findings, Hedcor sees the potential of building plants with capacities ranging from 5 MW to 50 MW. When the projects pass the evaluation stage and once permits are secured, the two-year construction period for the hydro power plant facilities will commence.

5. 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 the National Power Corporation (NPC) to the IPP administrators.

Power (Distribution Business)

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

On December 13, 2006, the ERC issued the Rules for Setting Distribution Wheeling Rates (RDWR) for privately-owned distribution utilities entering Performance Based Rate (PBR) for the second and later entry points, setting out the manner in which this new PBR-setting mechanism for distribution-related charges will be implemented. PBR replaces the Return on Rate Base (RORB) mechanism which has historically determined the distribution charges paid by customers. Under PBR, the distribution-related charges that distribution utilities can collect from customers over a 4-year regulatory period is set by reference to projected revenues which are reviewed and approved by the ERC and used by the ERC to determine a distribution utility's efficiency factor. For each year during the regulatory period, a distribution utility's distribution

charges are adjusted upwards or downwards taking into consideration the utility's efficiency factor as against changes in overall consumer prices in the Philippines.

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

Cotabato Light's 2nd Regulatory Period ended on March 31, 2013. A reset process should have been initiated 18 months prior to the start of the 3rd Regulatory Period covering April 1, 2013 to March 31, 2017. The reset process, however, has been delayed due to the issuance of an Issues Paper on the Implementation of PBR for Distribution Utilities under the RDWR by the ERC in 2013. This paper aims to revisit various matters relating to the reset process. The ERC has solicited comments from industry participants and has been holding public consultations on the Issues Paper.

In March 2013, VECO and Davao Light filed their rate translation application for the fourth regulatory year from July 1, 2013 to June 30, 2014. The ERC set the distribution, supply and metering charges of Davao Light and VECO in its Decisions dated June 24, 2013. In the case of VECO, since its implementation of the rate translation in the third regulatory year was delayed by five months, recovery for the under-recovery was included in its MAP recalculation for the fourth regulatory year. A motion for reconsideration was filed by VECO on July 26, 2013 for the ERC to amend its rate design to fully achieve the correct Annual Revenue Requirement for the fourth regulatory year. The said motion was decided upon by the ERC in an Order dated December 9, 2013 (docketed January 16, 2014) modifying the approved rates in the previous Decision. The under-recoveries arising therefrom may be recovered in the next rate filing under the K-factor (correction factor) of the Maximum Average Price formula.

For SEZ's and SFELAPCO's second regulatory year covering October 1, 2012 to September 30, 2013, SEZ was able to implement the new rate schedule in January 2013 while SFELAPCO's implementation began in April 2013. Consequently, the resulting under-recoveries from the lag starting from October 1, 2012 were included by SFELAPCO and SEZC as under-recoveries in its rate filings in the third regulatory year. The said applications are under the ERC's review as of year-end 2013.

Market and Industry Developments

1. Open Access and Retail Competition (Open Access)

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

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

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

Commencement of Open Access

In June 2011, ERC declared December 26, 2011 as the Open Access Date to mark the commencement of the full operations of the competitive retail electricity market in Luzon and Visayas. However,

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

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

The ERC issued Resolution 22 Series of 2013

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

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

Since Resolution 22 Series of 2013 limits the retail suppliers and creates non-assurance of renewal of RES license for existing retailers, then the Retail Electricity Suppliers Association (RESA) challenged its legality at the Pasig City Regional Trial Court. Trial is currently on-going to clarify the legality of such issuance.

2. Interim Mindanao Electricity Market (IMEM)

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

The IMEM has the following features:

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

The IMEM started on December 3, 2013 and the first IMEM billing period ended on December 25, 2013. The first IMEM billing period has not been fully settled and succeeding billing periods were still

not billed by PEMC. Since then, the IMEM has been under market intervention due to transmission issues effective March 14, 2014.

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

Due to the maintenance shutdown of Malampaya Natural Gas Field, the dispatch of Natural Gas-fired power plants were affected which caused the increase in the WESM prices in November and December 2013 Billing Months. The Supreme Court issued a Temporary Restraining Order (TRO) in GR Nos. 210245 and 201255, pegging the generation charge of Meralco to PhP5.6673/kWh. The TRO which should have ended last February 2014, however was extended until April 2014. The extended TRO also includes the generators non-collection of the increase in generation charge.

Issuance of ERC Case No. 2014-021MC

ERC issued ERC Case No. 2014-021 MC "In the Matter of the Prices in the Wholesale Electricity Spot Market (WESM) For the Supply Months of November and December 2013 and the Exercise by the Commission of its Regulatory Powers to Intervene and Direct the Imposition of Regulated Prices therein without Prejudice to the ongoing Investigation on the Allegation of Anti-Competitive Behavior and Possible Abuse of Market Power Committed by some WESM Participants" on March 3, 2014. The ERC issued an Order to VOID the WESM Prices in Luzon for November and December billing periods and declares the imposition of regulated prices in lieu thereof, in the exercise of its police power.

The ERC Order adjusted prices retroactively. Regulated prices are calculated based on the load weighted average of the ex-post nodal energy prices and meter quantity of the same day same interval that have not been administered from December 26, 2012 to September 25, 2013. The Order includes the availment of oil-based plants of additional compensation to cover their full Fuel and Variable O&M Costs. Several subsidiaries and affiliates of AboitizPower, most notably SN AboitizPower- Magat, SN AboitizPower-Benguet, APRI, and TLI, will be affected by the decision as they had exposure to the spot market during the November-December period either as purchasers (as in the case of TLI), or as sellers.

4. Reserve Market

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

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

The tentative launching of the Reserve Market is on May 26, 2014 for three (3) reserve categories, namely: Frequency Regulation, Contingency Reserve and Dispatchable Reserve. The Reserve Market will also include the scheduling of the ancillary services under ASPA with NGCP.

Financial Services

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

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

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

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

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

Food Manufacturing

For the Farm's business, Pilmico's goal is to increase its sow capacity by 30% by 2014, with 70% of the finishing farms owned and operated by the company. In support of this initiative, construction of a new nursery farm has been completed. Additionally, it will continue to expand the existing breeder farm and increase the capacity of the growing-finishing farms. For Feeds, the 2nd Iligan Feedmill Plant is planned for completion on January 2015. This will double Iligan Feedmill's capacity and will allow Pilmico to absorb growth targets in the next 10 years.

Aside from the expansion and improvement of the company's facilities in Iligan and Tarlac, and farms in Luzon, projects to ensure sustainability and reduce the company's carbon footprint are being eyed. A biogas project for two farms is projected to produce 300,000 kWh annually, whereas the construction of biomass boilers will reduce fuel cost in steam production.

Property

After 20 years of nurturing communities for Cebuanos, AboitizLand's primary thrust for 2014 is to grow the business on a national scale while intensifying its market position in Cebu. In support of this challenge, AboitizLand will build the team which will focus on growing the business at the national level. The company will also continue to strengthen its organization in Cebu by attracting the best talents and applying the latest technology available.

Residential business unit will continue to be the major revenue contributor to AboitizLand. Residential sales and revenue for 2014 will exceed the record it set in 2013 as the company looks toward launching new projects in both Cebu and Luzon.

The expansion of the Industrial business unit of AboitizLand started in 2013 when it acquired 60% ownership of Lima Land, Inc., the developer of Lima Technology Center (Lima) industrial park in Malvar, Batangas. The remaining 40% was acquired by the Company in February 2014. This acquisition gave AboitizLand a firm foothold in the Luzon industrial real estate market. Lima's 150-hectare expansion is now underway and this will augment the company's revenue and profit levels for 2014 onwards.

AboitizLand now owns and operates three industrial zones including Mactan Economic Zone II and West Cebu Industrial Park.

On the commercial side, the momentum generated from the success of The Outlets at Pueblo Verde will continue with an expansion of this commercial development.

AboitizLand continuously explore new real estate businesses to complement its existing residential, commercial and industrial projects. The 50-50 JV with Ayala Land took into effect in February 2014 with the signing of the agreement and incorporation of the JV company, Cebu District Property Enterprise, Inc. (CDPEI). In 2015, CDPEI will start to develop the 15-hectare Subangdaku property into a city center with residential, commercial, retail and office components.

Year ended December 31, 2012 vs. Year ended December 2011

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 consolidated financial statements and accompanying schedules and 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:

KEY PERFORMANCE INDICATORS

(Amounts in thousands except financial ratio data)

	JAN-DEC 2012 (As restated)	JAN-DEC 2011 (As restated)
EQUITY IN NET EARNINGS OF INVESTEEES	13,322,144	11,242,828
EBITDA	40,870,873	38,979,015
CASH FLOW GENERATED:		
Net cash provided by operating activities	25,473,439	23,627,500
Net cash used in investing activities	(1,551,918)	(5,850,648)
Net cash used in financing activities	(19,693,620)	(14,333,987)
Net Increase in cash & cash equivalents	4,227,901	3,442,865
Cash & cash equivalent, beginning	29,543,492	26,097,203
Cash & cash equivalent, end	33,730,531	29,543,492
CURRENT RATIO	2.57	2.96
DEBT-TO-EQUITY RATIO	0.97	1.12

DISCUSSION ON KEY PERFORMANCE INDICATORS:

As can be gleaned from the resulting KPI values, 2012 is another outstanding year for the Group in terms of operating performance and financial stability.

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 was sustained and financial position remained strong.

Equity in net earnings of investees registered an 18.5% year-on-year (YoY) increase, mainly attributed to the stellar performance of UBP and the majority of the power associates. This growth in income contribution by associates more than compensated for the flat operating profits of subsidiaries, and drove consolidated EBITDA up by 5%.

The rise in consolidated EBITDA translated into increased cash inflows from subsidiaries' operations and higher dividend collection from associates. The internally-generated funds were then used to finance capital expenditures, prepay debt, and distribute cash dividends to stockholders.

Despite the level of spending during the current year, the Group was able to maintain a strong and liquid financial position with a higher cash balance of ₱33.73 bn at year-end. Debt-to-equity ratio improved to 0.97x (versus end-2011's 1.12x), while current ratio stood at 2.57x.

Review of January – December, 2012 Operations vs January – December, 2011

Results of Operations

For the year 2012, AEV and its subsidiaries posted a consolidated net income of ₱23.96 bn, a 13% YoY increase. This translates to an earnings per share of ₱4.34. In terms of income contribution, power group still accounted for the lion's share at 78%, followed by the banking and food groups at 16% and 5%, respectively.

The Group generated a non-recurring net gain of ₱541 mn (versus ₱366 mn in 2011), which comprised the following: (1) ₱1,065 mn share of power group's net foreign exchange gains from the revaluation of dollar-denominated loans and placements; (2) ₱11 mn share of AP's gain from the redemption of preferred shares by certain associates; (3) ₱183 mn share of a power subsidiary's reimbursement of cost to its steam supplier; (4) ₱202 mn share of a power subsidiary's downward revenue adjustment as a result of an ERC ruling regarding its ancillary service contract; and (5) ₱150 mn share of AP's debt prepayment fees.

Stripping out the above one-off items, the Group's core net income for the current year amounted to ₱23.42 bn, up 12% YoY.

Business Segments

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

Power

Aboitiz Power Corporation (AP or AboitizPower) and its subsidiaries ended the current year with an income contribution of ₱18.77 bn, a 14% increase from last year's ₱16.50 bn.

AP's generation group reported a 12% YoY increase in earnings contribution to AEV, from ₱15.61 bn to ₱17.49 bn, attributed to the higher average selling prices and net generation recorded during the year under review. As compared to 2011 levels, average selling prices rose by 3% as spot market prices improved amid surge in demand for electricity due to warmer climate, and curtailment in supply resulting from higher plant outages in the Luzon grid. Likewise, the group's attributable net generation grew by 13%, from 9,422 GWh to 10,660 GWh, resulting from the 17% expansion of sales made through bilateral contracts. On a capacity basis, the group's attributable sales increased by 9% YoY to 1,547 MW, at the back of rising capacity sales through bilateral contracts. This spike in power sales more than made up for the 19% decrease in ancillary service revenue mainly resulting from the lower acceptance rate of the grid operator.

AP's distribution group also registered a 19% YoY rise in earnings contribution to AEV, from ₱1.83 bn to ₱2.17 bn. Driving this growth was the 6% YoY expansion in attributable electricity sales, from 3,727 GWh to 3,934 GWh, mainly coming from the 6% increase in the power consumption of industrial customers, with residential and commercial sectors posting growth rates of 5% and 3%, respectively. Higher selling prices attributed to the implementation of the rate increase under a Performance Based Regulation (PBR) scheme, and lower systems loss as a result of the initiatives implemented during the current period, further improved the group's profit margins.

Financial Services

Income contribution from the financial services group grew by 12%, from last year's ₱3.44 bn to ₱3.85 bn. Union Bank of the Philippines (UBP or UnionBank) ended the current period with an

earnings contribution of ₱3.33 bn, an increase of 14% YoY, while City Savings Bank, Inc.'s (CSB or CitySavings) share in earnings was ₱520 mn, down 2% YoY.

UBP's full-year 2012 net income was higher at ₱7.58 bn (vs ₱6.60 bn in 2011) mainly due to the 13% YoY increase (₱10.83 bn vs ₱9.56 bn) in non-interest income on the back of hefty trading gains. This improvement was boosted by the 5% growth (₱7.31 bn vs ₱6.98 bn) in net interest income, due largely to the 25% drop in interest expense resulting from the decline in average levels of high cost deposits. The over-all increase in revenue was partially offset by the 6% rise in operating expenses, from last year's ₱8.18 bn to ₱8.67 bn.

The 2% YoY decrease in CSB's net income, from ₱535 mn to ₱523 mn, was attributed to the bank's ongoing expansion program which caused the 28% YoY increase in operating expenses. Said increase outpaced the 6% growth in net interest income resulting from the higher level of loan releases during the year.

Food

Income contribution from Pilmico Foods Corporation (PFC or Pilmico) and its Subsidiaries amounted to ₱1.30 bn, up 5% YoY, mainly attributed to the increase in profit margins of flour and swine businesses. The improvement was due to rise in sales resulting from higher average selling prices and sales volume for flour, and higher sales volume for swine. This growth was partially offset by the decline in margins of feed division owing to softer prices and an uptick in input costs.

Material Changes in Line Items of Registrant's Statements of Income and Comprehensive Income

For the period ended December 31, 2012, consolidated net income allocable to the equity holders of AEV registered a 13% growth, reaching ₱23.96 bn from ₱21.24 bn posted in the previous year.

Operating profit for the current year remained flat at ₱22.9 bn, mainly attributed to the performance of the power group.

AP and its subsidiaries reported a flattish growth in operating margins as the ₱7.68 bn increase in revenues slightly more than covered the ₱7.60 bn rise in costs and expenses. Consolidated revenues increased to ₱62.15 bn (vs ₱54.48 bn in 2011) substantially due to higher average selling prices and GWh sold. For the generation subsidiaries, the expansion in revenues was due to improvement in spot market prices and increase in contracted sales. For the distribution subsidiaries, it was due to higher consumption by customers and better selling prices from the implementation of the rate increase under a PBR scheme. Meanwhile, consolidated costs and expenses amounted to ₱41.72 bn, 22% more than the ₱34.12 bn incurred in 2011, mostly resulting from increase in fuel costs of AP Renewables, Inc. (APRI), Therma Luzon, Inc. (TLI) and Therma Marine, Inc. (TMI).

The ₱2.08 bn increase in the earnings contribution of associates, which more than compensated for the break-even performance of the Subsidiaries, pulled up the Group's over all profitability.

Share in net earnings of associates grew by 18.5% YoY (₱13.32 bn vs ₱11.24bn in 2011) due to the strong performance of UBP and the majority of the power associates. Bulk of the increase was coming from the substantial income contributions of UBP, SN Aboitiz Power - Magat, Inc. (SNAP-Magat), SN Aboitiz Power - Benguet, Inc. (SNAP-Benguet), Cebu Energy Development Corporation (CEDC), and Visayan Electric Company, Inc. (VECO). Improvement in UBP's net income was a result of higher net interest income and trading gains. The spike in SNAP-Magat's and SNAP-Benguet's bottomlines was due to significant rise in power sales. Likewise, the upsurge in the income contributions of CEDC and VECO was attributed to higher revenues as CEDC's contracted sales increased and VECO's MWh sales expanded by 8.5%, complemented by better selling rates.

The decrease in net interest expense and increase in other income further enhanced the growth in the Group's consolidated net income for the year in review. The 5% YoY drop in net interest expense

(₱6.56 bn vs ₱6.89 bn in 2011) was attributed to lower level of long-term debt resulting from the pre-termination of loans in 2012.

Other income rose by 124% YoY substantially due to higher foreign exchange (FX) gains (₱1.67 bn vs ₱12 mn in 2011). This was the result of the restatement of the dollar-denominated debt of the power group under an appreciating peso scenario as of year-end 2012, vis-a-vis the nil FX differential in previous year. As of December 31, 2012, exchange rate for the US\$ stood at ₱41.05 to a dollar, a ₱2.79 decline from the ₱43.84 rate at the start of the year. In contrast, prior year reported a no change scenario when December 31, 2011 FX rate was at ₱43.84, exactly the same rate as of the beginning of that year.

The 9% increase in provision for income tax (₱1.91 bn vs ₱1.75 bn in 2011) was mainly due to the higher deferred tax provisions booked by the power group. This is related to the write-off of expiring unused deferred tax assets.

The 14% YoY rise in net income attributable to minority interests was largely due to the increase in power group's net income, 23% of which belongs to minority shareholders.

AEV's consolidated comprehensive income attributable to equity holders correspondingly rose by 9%, from ₱21.35 bn in 2011 to ₱23.31 bn in 2012. The 13% increase in consolidated net income, which was partially offset by the 269% YoY decline in AEV's share of the fair valuation differential and cumulative translation adjustments of associates, accounted for this improvement.

Changes in Registrant's Resources, Liabilities and Shareholders Equity

Assets

Compared to year-end 2011 level, consolidated assets increased 11% to ₱222.46 bn as of December 31, 2012, due to the following:

- a. Cash & Cash Equivalents increased by ₱4.19 bn mainly due to the excess internally-generated funds left, after spending for various capital expenditures, debt servicing and prepayments, and cash dividend distribution.
- b. Trade and Other Receivables, inclusive of non-current portion, increased by 12% (₱24.64 bn vs ₱22.02 bn in December 2011) mainly due to higher loan releases of the banking subsidiary, and the first-time consolidation of Aboitiz Land, Inc.'s (AboitizLand) receivable accounts amounting to ₱940 mn.
- c. Inventories increased by 18% (₱5.82 bn vs ₱4.93 bn in December 2011) substantially due to the first-time consolidation of AboitizLand's real estate inventories worth ₱792 mn.
- d. Derivative asset increased by ₱3 mn (₱3 mn vs nil in December 2011). This account represents the mark-to-market gains generated by a power subsidiary on its outstanding non-deliverable forward contracts.
- e. Other Current Assets increased by 12% (₱2.48 bn vs ₱2.22 bn in December 2011) mainly due to the first-time consolidation of AboitizLand's accounts amounting to ₱222 mn, which consist mostly of unapplied prepaid taxes.
- f. Gross of depreciation expense, the resulting ₱13.18 bn increase in Property Plant and Equipment (PPE) and Land and Improvements (LI) was mainly due to the following: (i) rehabilitation of geothermal power plant and power barges; (ii) on-going construction of Davao coal and Tudaya hydro power plants; (iii) various capital expenditures of power and food groups; and (iv) first-time consolidation of

AboitizLand's assets totalling ₱5.35 bn consisting of PPE and LI valued at ₱162 mn and ₱1.58 bn, respectively.

- g. Investment Properties increased by ₱3.67 bn (₱4.01 bn vs ₱341 mn in December 2011) substantially due to the first-time consolidation of AboitizLand's properties valued at ₱3.61 bn.
- h. Pension Asset increased by 86% (₱203 mn vs ₱109 mn in December 2011) principally due to the retirement contributions made by certain subsidiaries during the current period.
- i. Other Noncurrent Assets increased by 32% (₱5.57 bn vs ₱4.22 bn in December 2011) mainly due to the additional VAT inputs generated by certain power subsidiaries.

The above increases were tempered by the following: a.) 11% YoY decrease in Intangible Asset – Service Concession Right due to the amortization cost recorded during the current year; and b.) 22% YoY decline in Deferred Income Tax Assets (DTA) resulting from AP parent's write-off of DTA related to expiring NOLCO and minimum corporate income tax (MCIT).

Liabilities

Consolidated short-term bank loans grew by 24% (₱6.59 bn vs ₱5.3 bn in December 2011) while long-term liabilities declined by 2% (₱78.74 bn vs ₱80.74 bn in December 2011). The increase in short-term loans was mainly due to the ₱2.2 bn loan availed by the Company to partially finance its purchase of AboitizLand shares in November, 2012, reduced by the repayments made by food and power groups. The ₱2.0 bn decrease in long-term debt was due to the ₱7.74 bn pretermination of AP bonds and fixed-rate notes, ₱1.39 bn amortization payments on existing loans, and ₱17 mn amortization payment on a payable to a preferred shareholder of a Subsidiary. Said decrease was substantially countered by the following: a.) ₱4.11 bn new loan availments; b.) ₱1.66 bn rise in finance lease obligation resulting from interest accretion; and c.) first-time consolidation of AboitizLand debt amounting to ₱1.38 bn.

Trade and other payables and deposit liabilities, inclusive of noncurrent portion, were higher by 17%, from ₱17.14 bn to ₱20.02 bn, mainly due to the following: a.) power group's rise in payables to suppliers as a result of ongoing plant constructions and rehabilitation works; b.) banking subsidiary's growth in deposits; and c.) first-time consolidation of AboitizLand's payables worth ₱848 mn.

Pension liability decreased by 17%, from ₱261 mn to ₱217 mn, on account of retirement contributions made by certain subsidiaries during the current period. Customer deposits were higher by 15%, from ₱2.17 bn to ₱2.49 bn, mainly due to the growth in the customer base of power distribution Subsidiaries.

Derivative liabilities increased by 285%, from ₱7.58 mn to ₱29 mn, due to the mark-to-market loss recognized by a power subsidiary on its interest rate swap contract.

Deferred income tax liabilities rose by 191%, from ₱398 mn to ₱1.16 bn, mainly due to the set up of the corresponding income tax provision on the unrealized foreign exchange gains booked during period in review.

Equity

Equity attributable to equity holders of the parent grew by 19% from year-end 2011 level of ₱76.67 bn to ₱91.09 bn, mainly due to the following: (a) ₱15.2 bn increase in Retained Earnings, resulting from the ₱23.96 bn net income recorded during the current year, reduced by the ₱8.72 bn cash dividends paid; and (b) new account recorded with a balance of ₱469 mn representing the excess of book value over acquisition cost of the AboitizLand shares bought by AEV in 2012. This increase

was partially offset by the recognition of the following: (a) ₱266 mn share in a banking associate's unrealized fair valuation loss on its AFS investments; (b) ₱319 mn share of current translation adjustments recorded by power generation associates using US dollars as functional currency; and (c) ₱639 mn acquisition of non-controlling interest by AEV parent in its additional purchase of AP shares in 2012.

Material Changes in Liquidity and Cash Reserves of Registrant

For the year ended 2012, the Group continued to support its liquidity mainly from cash generated from operations and dividends received from associates.

Compared to the cash inflow in 2011, consolidated cash generated from operating activities in 2012 increased by ₱1.85 bn to ₱25.47 bn, mainly due to the higher EBITDA recorded by Subsidiaries and lesser funds used in purchasing inventories during the current year.

Net cash used in investing activities reached ₱1.55 bn, 73% lower than the ₱5.85 bn spent during the previous year. This decrease was mainly due to the increase in cash dividends collected from associates in 2012, partially offset by the higher funds utilized in acquiring AboitizLand shares and financing various capital expenditures.

Net cash used in financing activities was higher at ₱19.69 bn, compared to ₱14.33 bn in 2011. This increase was attributed to higher debt prepayments and repayments made in 2012, as against last year.

For the period in review, net cash inflows surpassed cash outflows, resulting in a 14% increase in cash and cash equivalents, from ₱29.54 bn as of year-end 2011 to ₱33.73 bn as of December 31, 2012.

Financial Ratios

Backed by strong operating cash inflows, liquidity was adequately preserved. Cash and cash equivalents stood at ₱33.73 bn as of December 31, 2012, keeping current ratio at the same high level of 2.57:1. Debt-to-equity improved to 0.97:1 (versus yearend 2011's 1.12:1), as growth in equity outpaced the increase in total liabilities. Likewise, net debt-to-equity ratio was better at 0.45x (versus year-end 2011's 0.59x) as decrease in net debt complemented the rise in equity.

Year ended December 31, 2011 vs. Year ended December 2010

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

Key Performance Indicators

(Amounts in thousands except financial ratio data)

	JAN-DEC 2011 (As Restated)	JAN-DEC 2010
EQUITY IN NET EARNINGS OF INVESTEEES	11,242,828	6,843,156
EBITDA	38,979,015	40,030,498
CASH FLOW GENERATED:		
Net cash provided by operating activities	23,627,500	29,550,862
Net cash used in investing activities	(5,850,648)	(5,719,574)
Net cash provided by (used in) financing activities	(14,333,987)	(3,254,452)

Net Increase (Decrease) in Cash & Cash Equivalents	3,442,864	20,576,836
Cash & Cash Equivalent, Beginning	26,097,203	5,582,228
Cash & Cash Equivalent, End	29,543,492	26,097,203
CURRENT RATIO	2.96	2.36
DEBT-TO-EQUITY RATIO	1.12	1.23

Discussion on Key Performance Indicators:

Amidst external market volatilities and challenges, management expected 2011 to be another outstanding year for the group in terms of sustainable profitability and financial stability. As can be gleaned from the resulting key performance indicators, these expectations were achieved.

Equity in net earnings of investees registered a 64% year-on-year (“YoY”) increase. This improvement was largely attributed to the strong performance of the majority of the power associates. Bulk of the increase was coming from the growth in the combined income contributions of SN Aboitiz Power-Magat, Inc. (SNAP-Magat) and SN Aboitiz Power- Benguet, Inc. (SNAPBenguet) due to significant upsurge in their ancillary service revenues.

The growth in equity earnings of associates more than offset the 3% decrease in EBITDA. The drop in EBITDA was mainly due to the decline in gross profit of the power generation group as sales volume dipped and average selling prices softened during the current year. Increase in coal and steam supply costs likewise put a squeeze on the profit margins of the group.

Management teams of the different businesses continued to effectively handle and monitor their respective operating performances and financial requirements. As a result, profitability was sustained, generating positive cash inflows from operations, and the needed funds were raised to finance various investments and projects. The group registered healthy financial ratios at year-end 2011. This strong financial position enabled the Group to deliver higher value directly to its shareholders while continuing to invest in its growth opportunities.

Review of 2011 Operations versus 2010

Results of Operations

AEV and its subsidiaries recorded a consolidated net income of ₱21.24 bn, a 3% YoY decrease, which translated to a lower earnings per share of ₱3.85. In terms of income contribution, power group still accounted for the lion’s share at 78%, followed by the banking and food groups at 16% and 6% each.

The Group generated a non-recurring net gain of ₱366 mn (versus ₱30 mn in 2010), which comprised the following: (1) a ₱266 mn gain from a power subsidiary’s revenue adjustment that resulted from the favorable ruling by the industry regulator involving its ancillary services tariff structure; (2) a ₱163 mn gain from a power associate’s recovery of costs relating to its fuel importation; (3) a ₱149 mn gain from a power subsidiary’s reversal of an accrued expense relating to its IPPA contract ; (4) a net foreign exchange loss of ₱123 mn from the revaluation of dollar-denominated loans and placements; and (5) ₱89 mn loan pre-termination fees. Sans one-off items, the Group’s core net income for the current year amounted to ₱20.87 bn, down 4% YoY.

Power

Aboitiz Power Corporation (AboitizPower) and its subsidiaries ended the year with an income contribution of ₱16.50 bn, a 14% decline from last year’s ₱19.13 bn.

AboitizPower’s generation group posted a 16% YoY drop in earnings contribution to AEV, from ₱18.63 bn to ₱15.61 bn, resulting from the decline in profit margins given the lower average selling

prices and net generation recorded during the current year. As compared to 2010 levels, average selling prices dipped 7% as spot market prices softened amid flat demand for electricity and increase in supply in the Luzon Wholesale Electricity Spot Market (“WESM”). This negative impact on revenues was cushioned by the group’s strategic move to enter into more bilateral agreements, thus, increasing its contracted sales and lowering its exposure to the price volatility of the spot market. Meanwhile, the group’s attributable net generation decreased by 3%, from 9,762 GWh to 9,422 GWh, as sales made through the WESM reduced owing to prevailing low prices. The higher costs of coal and steam supply also contributed to the decline in earnings as it reduced the profit margins on contracted sales.

Partially offsetting the decrease in income contributions were the higher earnings of SNAP–Magat, SNAP–Benguet, STEAG State Power Inc. (STEAG Power), and Therma Marine, Inc. (TMI), and the full contributions of Cebu Energy Development Corporation (CEDC) and Hedcor Sibulan, Inc. (“HSI”). For the SNAPs, the improvement was due to the increase in their ancillary service revenues. STEAG’s earnings growth was attributed to higher coal margins and its recording of some non–recurring gains, vis–à–vis last year’s non–recurring loss. TMI’s increase was likewise due to increase in profit margins brought about by higher sales and its one–time billing of a tariff rate adjustment amounting to ₱348 mn.

AboitizPower’s distribution group registered a 24% YoY rise in earnings contribution to AEV, from ₱1.48 bn to ₱1.83 bn. Driving this growth was the 3% YoY expansion in attributable electricity sales, from 3,606 GWh to 3,727 GWh, mainly coming from the 6% increase in the power consumption of industrial customers. Higher selling prices resulting from the implementation of the rate increase (under a Performance Based Regulation scheme) by certain distribution utilities also complemented the group’s profit improvement. Furthermore, Davao Light & Power Company, Inc.’s (DLP) operating expenses declined YoY, as operation of its back–up power plant was not required given the improved power supply situation in Mindanao during the current year.

Financial Services

Income contribution from the financial services group grew by 31%, from last year’s ₱2.63 bn to ₱3.44 bn. Union Bank of the Philippines (UnionBank) ended the current year with an earnings contribution of ₱2.91 bn, an increase of 26% YoY, while City Savings Bank Inc.’s (CSB) share in earnings was ₱531 mn, up 69% YoY. The main drivers of this growth were the improvement in the operating performances of UnionBank and CSB, and AEV’s increased ownership in both banks.

UnionBank’s 2011 net income was higher at ₱6.6 bn (vs ₱5.35 bn in 2010) mainly due to the 56% YoY increase (₱9.56 bn vs ₱6.13 bn) in its non–interest income, which more than made up for the 17% decline (₱5.21 bn vs ₱5.16 n) in net interest income after impairment losses. AEV’s higher ownership in UnionBank, from 40.91% to 43.27%, also boosted UnionBank’s income contribution.

The 7% YoY increase in CSB’s net income, from ₱499 mn to ₱535 mn, was attributed mainly to the 33% growth in its interest income on loans and service fees as total loan booked during the year in review was up by 52% YoY to ₱9.9 bn. Enhancing the growth in CSB’s earnings contribution was the full–year recognition of AEV’s 99.3% share of CSB’s net income (vis–à–vis last year’s 99.3% equity up based only on the 4th quarter earnings with the rest still computed based on the old 40.6% ownership).

Food

Income contribution from Pilmico Foods Corporation (PFC) and its subsidiaries amounted to ₱1.23 bn, down 19% YoY. In the flour division, increase in wheat cost outpaced the growth in sales, resulting to a 36% YoY decline in its income contribution. The swine business’ earnings contribution also fell by 75% YoY due to lower margins coming from the decrease in average selling prices (ASP) and higher input costs. Partially offsetting these decreases was feeds division’s 14% improvement in income contribution, as higher ASP countered the rise in raw material costs.

Material Changes in Line Items of Registrant's Statements of Income and Comprehensive Income

AEV's consolidated net income attributable to equity holders registered a 3% decline, from last year's ₱21.86 bn to ₱21.24 bn. Operating profit amounted to ₱22.98 bn, a 20% drop from the ₱28.87 bn generated in 2010. This was brought about by the ₱2.55 bn decrease in consolidated revenues and the ₱3.33 bn increase in costs and expenses. Both power and food groups recorded lower operating margins during the year in review.

Power subsidiaries reported a combined 22% YoY decline in operating margins resulting from the 9% decrease in consolidated revenues and the 2% increase in costs and expenses. Revenues were lower at ₱54.48 bn (vs ₱59.55 bn in 2010) substantially due to the decrease in sales of Therma Luzon, Inc. (TLI) and Aboitiz Power Renewable Inc. (APRI). For both subsidiaries, it was mainly due to the drop in average selling prices and sales volume as WESM prices softened and sales made thru WESM correspondingly lessened due to the prevailing low prices. This decrease was partially tempered by the increase in sales of the distribution subsidiaries.

Food group reported a 9% YoY decrease in operating margins as the ₱2.05 bn increase in costs and expenses more than offset the ₱1.87 bn rise in revenues. The 15% improvement in sales (₱14.75 bn vs ₱12.88 bn in 2010) was largely attributed to growth in sales volume for swine and feeds, and the higher selling prices for both flour and feeds. The 19% spike in costs (₱12.96 bn vs ₱10.92 bn in 2010) was mainly due to the increasing costs of raw materials of these three businesses.

The decline in consolidated operating profit was partially offset by the ₱148 mn increase in gross margin contribution of CSB and the ₱4.40 bn growth in equity earnings.

Share in net earnings of associates registered a 64% YoY improvement (₱11.24 bn vs ₱6.84 bn in 2010) due to the strong performance of the majority of the power associates and of UBP. Bulk of the increase was coming from the combined income contributions of SNAP-Magat and SNAP-Benguet due to the upsurge of their ancillary service revenues. Growth in ancillary service sales was a result of the higher level of acceptance by the National Grid Corporation of the Philippines of these hydro plants' nominated capacities. With the elevated water levels during the current year, both SNAP plants' capability to provide ancillary services was significantly enhanced. The fresh income contribution of CEDC which had its full commercial operation of its 246 MW coal plant in 2011, the higher earnings of STEAG due to the increase in its coal margins and recording of a oneoff gain on cost reimbursements from NPC on fuel importations (vis-à-vis last year's refinancing costs), and the increase in UBP bottomline attributable to substantial trading gains realized during the year in review, further boosted this growth in equity earnings of associates.

While net interest expense remained flat in 2011, other income decreased by 49% substantially due to lower foreign exchange (FX) gains (₱12 mn vs ₱1.39 bn in 2010). This was the result of the restatement of the dollar-denominated debt of the power group under an unchanged peso scenario as of year-end 2011 when FX rate for the US\$ stood at ₱43.84 to a dollar, exactly the same rate as of the start of the year, compared to the ₱2.36 peso appreciation as of year-end 2010 when FX rate was at ₱43.88, coming from a ₱46.20 rate as of the start of that year.

The 8% increase in provision for income tax (₱1.75 bn vs ₱1.62 bn in 2010) was mainly due to the higher taxable income of CSB and the majority of the power distribution subsidiaries.

The 9% dip in net income attributable to minority interests was mainly due to the decline in power group's net income, 24% of which, belongs to minority shareholders.

AEV's consolidated comprehensive income attributable to equity holders decreased by 4%, from ₱22.21 bn in 2010 to ₱21.35 bn in 2011. This was mainly due to the decline in the 2011 consolidated net income.

Changes in Registrant's Resources, Liabilities and Shareholders Equity

Assets

Compared to year-end 2010 levels, consolidated assets increased 15% to ₱200.74 bn as of December 31, 2011, due to the following:

- a. Cash & Cash Equivalents increased by ₱3.45 bn mainly due to the excess cash generated from operations and cash dividend collections from associates, after the group spent for various asset acquisitions, debt servicing and cash dividend payments.
- b. Trade and Other Receivables increased by 40% (₱22.02 bn vs ₱15.7 bn in December 2010) mainly due to TMI's higher collectibles from customers, CSB's and food group's rise in revenues which resulted in higher trade receivables, and the ₱2.5B cash dividend receivable from a power associate.
- c. Inventories increased by 21% (₱4.93 bn vs ₱4.08 bn in December 2010) mainly due to the increase in wheat inventory of food group and coal inventory of TLI.
- d. Other Current Assets increased by 18% (₱2.22 bn vs ₱1.88 bn in December 2010) mainly due to the build-up of VAT inputs by power generation subsidiaries.
- e. Gross of depreciation expense, the resulting increase in Property Plant and Equipment was mainly due to the following: 1.) purchase of 4 barge-mounted floating power plants (₱2.9B); 2.) APRI's plant rehabilitation (₱2.6B); 3.) on-going construction of Hedcor Irian hydro plant and Davao coal plant (₱781 mn); and 4.) capital expenditures of AP distribution group (₱1 bn) and food group (₱498 mn).
- f. Intangible Asset – Service Concession Right increased by 344% (₱4.16 bn vs ₱937 mn in December 2010) due to first-time consolidation of LHC's plant which is booked as an intangible asset under IFRIC 12.
- g. Investments in and Advances to Associates increased by 8% (₱48.51 bn vs ₱44.85 bn in December 2010) mainly due to the purchase of ₱910 mn worth of UBP shares, the ₱856 mn additional capital infusion into Manila Oslo Renewable Enterprise, Inc. (MORE), and recording of ₱11.24 bn share in earnings of associates during the current year. This increase was partially reduced by the ₱7.14 bn cash dividends received and ₱367 mn collection of advances from associates, and the ₱1.71 bn downward adjustment due to the consolidation of LHC in 2011 (as compared to being equitized in 2010).
- h. Deferred Income Tax Assets increased by 37% (₱343 mn vs ₱251 mn in December 2010) mainly due to the first-time consolidation of LHC's accounts.
- i. Other Noncurrent Assets increased by 195% (₱4.22 bn vs ₱1.43 bn in December 2010) mainly due to the ₱2.2 bn downpayment made on purchase of turbines by a power subsidiary and the increase in VAT input tax credit certificates of certain AP subsidiaries.

The above increases were tempered by the decline in Pension Asset by 39% (₱109 mn vs ₱179 mn in December 2010) due to the accrual of defined benefit expense during the current period and the recognition of actuarial losses on the defined benefit plans of the subsidiaries.

Liabilities

Consolidated short-term bank loans decreased by 6% (₱5.3 bn vs ₱5.67 bn in December 2010) while long-term liabilities increased by 9% (₱80.74 bn vs ₱74.06 bn in December 2010). The decline in short-term loans was mainly due to the prepayments made by power group using internally-

generated funds. The upward movement in long term debt was mainly due to the following: 1.) P1.7 bn net proceeds by AP Parent from its issuance of additional P5.0 bn peso- denominated corporate fixed rate notes in 2011, less the prepayment made during the same year on the P3.33 bn 5-year corporate notes it issued in 2008; 2.) P4.4 bn increase in the finance lease obligation of TLI resulting from interest accretion; 3.) first-time consolidation of LHC's P510 mn long term debt; 4.) P600 mn additional long-term loan availed by Subic EnerZone Corp.; 5.) P800 mn net loan availment by CSB; and 6.) P1.5 bn increase in food group's account to replace short-term loans with long-term debt. Said increase was partially offset by AEV Parent's redemption of its P1.5 bn preferred shares and the group's P1.3 bn amortization payments on existing loans.

Trade and other payables and deposit liabilities was up by 20%, from P14.24 bn to P17.14 bn, mainly due to the growth in CSB's depositors. The currently maturing portion of CSB's deposit liabilities are lodged under Trade Payables account. Out of the P2.9 bn increase, P2.6 bn could be attributed to the expansion of CSB's deposit liabilities in 2011. The remaining P300 mn was due to the increase in payables to suppliers of certain subsidiaries.

Income tax payable decreased by 25%, from P300 mn to P223 mn, mainly due to the build-up of unapplied prepaid taxes.

Customer deposits were higher by 8% mainly due to the growth in the customer base of power distribution subsidiaries.

Pension liability increased by 708%, from P32 mn to P261 mn, on account of accrual of defined benefit expense during the current period and recognition of actuarial losses on the defined benefit plans of the subsidiaries.

Deferred income tax liabilities increased by P76 mn mainly due to TLI's recognition of the corresponding income tax provision on the unrealized foreign exchange gains booked during the current year.

Equity

Equity attributable to equity holders of the parent grew by 19% from year-end 2010 level of P64.31 bn to P76.67 bn, mainly due to the following: (1) P12.74 bn increase in Retained Earnings, resulting from the P21.24 bn net income recorded during the current year and offset by the P8.72 bn cash dividends paid to common stockholders; and (2) the recognition of AEV's P802 mn share in UBP's unrealized fair valuation gain on AFS investments, net of the P402 mn share of current translation adjustments recorded by a power generation associate in marking to market its hedged instruments. This is offset by the recognition of actuarial losses on defined benefit plans of the Group and its associates amounting to P682 mn.

Material Changes in Liquidity and Cash Reserves of Registrant

For the year ended 2011, 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 of 2010, consolidated cash generated from operating activities decreased by P5.92 bn to P23.63 bn. This decline was largely a result of lower net income generated during the year in review.

The current year ended up with a P5.85 bn net cash used in investing activities, slightly more than the P5.72 bn spent last year. This was due to higher investment acquisitions made in 2011.

Net cash used in financing activities was higher at P14.33 bn, compared to the P3.25 bn in 2010. This increase in fund usage was substantially due to higher cash dividends paid and lower debt availed in 2011.

For the current year, net cash inflows surpassed cash outflows, resulting in a 13% increase in cash and cash equivalents, from ₱26.10 bn as of year-end 2010 to ₱29.54 bn as of year-end 2011.

Financial Ratios

Backed by strong operating cash inflows, liquidity was adequately preserved. Cash and cash equivalents stood at ₱29.5 bn as of end-2011, 13% higher than end-2010 level, keeping current ratio at a high level of 2.96:1 (versus last year's 2.36:1). Further enhancing liquidity was the collection of ₱4.6 bn cash dividends from associates. Likewise, debt-to-equity ratio improved, from 1.23:1 as of Dec. 2010 to 1.12:1 as of Dec. 2011, and net debt-to-equity ratio was also lower at 0.59x (versus year-end 2010's 0.70x), as the growth in equity surpassed the increase in consolidated liabilities.

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

(A) External Audit Fees and Services

The external audit and consultancy fees of the Registrant for the years 2013 and 2012 were as follows:

Fee Type	Year ended December 31, 2013	Year ended December 31, 2012
Audit Fees	₱389,76,00	₱370,720.00
Audit-Related Fees	-	-
Tax Fees	-	-
Consultancy Fees	₱896,000.00	-
Total	₱1,285,760.00	₱370,720.00

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 2013 and 2012 were pre-approved by the Board Audit Committee. The Committee had also reviewed the extent and nature of these services to ensure that the independence of the external auditors is preserved.

(B) Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

The accounting firm of SyCip Gorres Velayo & Co. (SGV) has been AEV's Independent Public Accountant for the last 20 years. Ms. Leovina Mae V. Chu is AEV's audit partner for 2013. She replaced Mr. Ladislao Z. Avila, Jr., who served as audit partner in 2011. 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 20 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.

In its regular meeting on February 27, 2014, the AEV Board Corporate Governance Committee approved the inclusion in the agenda of the 2014 Annual Stockholders' Meeting, a proposal to delegate to the Board of Directors the authority to appoint the Company's external auditors for 2014. The proposal is intended to give the Board Audit Committee sufficient time to evaluate the different auditing firms that have submitted engagement proposals to act as AEV's external auditor for 2014.

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.

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

(a) (1) Directors for 2013–2014

Below is a list of AEV's directors for 2013 – 2014 with their corresponding positions and offices held in the past five years. The directors assumed their directorship during AEV's Annual Stockholders' Meeting in 2013 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, 65 years old, Filipino, has served as Chairman of the Board of Directors of AEV since January 2009. He was President/Chief Executive Officer of AEV since 1994 until his retirement last December 2008. Mr. Aboitiz began his career with the Aboitiz Group in 1970. From a manager of the Aboitiz Shipping Corporation, Mr. Aboitiz was promoted to President of the company in 1976 and became President of Aboitiz & Company, Inc. (ACO) in 1991 until 2008. He is also Chairman of the Board of Directors of ACO; Vice Chairman of AboitizPower; and Director of Cotabato Light, Davao Light, and International Container Terminal Services, Inc. Mr. Aboitiz is also the Vice Chairman of the Board of Directors of Union Bank of the Philippines (UnionBank). He is Chairman of UnionBank's Executive Committee, Risk Management Committee and Corporate Governance Committee, including the latter's Compensation Remuneration and Nomination Sub-Committees. He is the President of the Aboitiz Foundation, Inc., Trustee and Vice President of the Ramon Aboitiz Foundation, Inc. (RAFI); Trustee of the Santa Clara University, California and The Philippine Business for Social Progress Foundation; and member of the Board of Advisors of the Association of Foundations, as well as The Coca Cola Export Corporation in the Philippines. He was a Director of CitySavings, from 2006 up to March 2013. Mr. Aboitiz holds a B.S. Commerce degree with a major in Management from the Santa Clara University, California, U.S.A.

ERRAMON I. ABOITIZ

Director

President & Chief Executive Officer

Mr. Erramon I. Aboitiz, 57 years old, Filipino, has served as President & Chief Executive Officer of AEV since January 2009. He has been a Director of AEV since 1994 and was its Executive Vice President and Chief Operating Officer from 1994 to December 2008. He is also President and Chief Executive Officer of ACO and AboitizPower; Chairman of the Board of Directors of Davao Light, San Fernando Electric, Cotabato Light, Subic Enerzone, SN Aboitiz Power, Aboitiz Renewables, Therma Power and AboitizLand; and Director of UnionBank, Pilmico, and RP Energy. He is also Chairman of Aboitiz Foundation and Director of the Family Business Development Center (Ateneo de Manila University) and the Philippine Disaster Recovery Foundation. He received a Bachelor of Science degree in

Business Administration, major in Accounting and Finance, from Gonzaga University, Spokane, Washington, U.S.A.

ROBERTO E. ABOITIZ

Director

Member – Board Audit Committee

– Board Corporate Governance Committee

Mr. Roberto E. Aboitiz, 64 years old, Filipino, has served as Director of AEV since 1994 and has been a member of the Board Audit Committee of AEV since 2006. He served as Chairman of AEV from 2005 until December 2008. He is Chairman of the Board of Directors of CIPDI and CIPSI; Vice Chairman of ACO; Director of THI, AboitizLand, Cotabato Light and Davao Light; Trustee of Aboitiz Foundation; Chairman and President of RAFI and West Cebu People Solutions, Inc. He is Co-Chairman of the Metro Cebu Development and Coordinating Board. He was a 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. In 2008, he received the Doctor of Humanities (Honoris Causa) and the Perlas Award for Valuable Leader in Youth and Community Development. He was also conferred the Doctor of Science in Business Management (Honoris Causa).

ENRIQUE M. ABOITIZ, JR.

Director

Chairman – Board Risk and Reputation Management Committee

Senior Vice President

Mr. Enrique M. Aboitiz, Jr., 60 years old, Filipino, has served as Director of AEV since 1994. He is also the Chairman of the Board of Directors of AboitizPower and WeatherPhilippines; and 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.

JUSTO A. ORTIZ

Director

Member – Board Audit Committee

– Board Risk and Reputation Management Committee

Mr. Justo A. Ortiz, 56 years old, Filipino, has served as Director of AEV since 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.

ANTONIO R. MORAZA

Director

Mr. Antonio R. Moraza, 57 years old, Filipino, has served as Director of AEV since May 2009. He is currently a Director of AboitizPower and Executive Vice President and Chief Operating Officer of its Power Generation Group. He is also the Chairman of the Board of Directors of Pilmico, PANC, East Asia Utilities Corporation, Therma Visayas, Therma Mobile, Therma South, Therma Marine, Therma Luzon, LHC, Hedcor, Hedcor Tudaya, Hedcor Sibulan and CPPC; Chairman and Chief Executive Officer of APRI; and Vice Chairman of CEDC. He is likewise a Director and Senior Vice President of ACO; President and Chief Executive Officer of Abovant and ARI; and Director of SNAPBenguet, SNAP-Magat, SPPC, STEAG Power, and Western Mindanao Power Corporation. He is also Director and President of Therma Power and MORE. 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

Justice Jose C. Vitug (ret.), 79 years old, Filipino, has served as Independent Director of AEV since 2005 and has been a member of the Board Audit Committee of AEV since 2008. He is a Senior Professor at the Philippine Judicial Academy and 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.

STEPHEN T. CuUNJIENG
Independent Director
Member – Board Audit Committee
– Board Corporate Governance Committee
– Board Risk and Reputation Management Committee

Mr. Stephen T. CuUnjieng, 55 years old, Filipino, has served as Independent Director of AEV since 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 nine 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 a LL.B (with honors) from Ateneo School of Law. He has a MBA from the Wharton School of the University of Pennsylvania, U.S.A.

RAPHAEL P.M. LOTILLA
Independent Director
Member – Board Audit Committee
– Board Corporate Governance Committee

Mr. Raphael P.M. Lotilla, 55 years old, Filipino, has served as Independent Director of AEV since May 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 DOE Secretary from March 2005 to July 2007, President and Chief Executive Officer of 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.

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 starting January 1, 2014, in accordance with Section 2 of the Guidelines, and the table for nominations was scheduled to be closed on February

15, 2014, in accordance with Section 3 of the Guidelines. However, the Corporate Secretary received a request from a stockholder to extend the deadline for submission of nominations for Independent Directors to February 28, 2014. Upon endorsement by the Corporate Secretary, the Board Corporate Governance Committee, which reviews nominations for Independent Directors, approved the request for extension.

SRC Rule 38 further require that the Board Corporate Governance Committee meet to pre-screen all nominees and submit a Final List of Candidates 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 nominees for Independent Directors 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, Patricia N. Arches, Josephine R. Pabriga and Joann V. Lucero, 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 2014-2015:

Jon Ramon Aboitiz
Erramon I. Aboitiz
Roberto E. Aboitiz
Enrique M. Aboitiz, Jr.
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 must be submitted in writing to the Corporate Secretary at least 15 working days prior to the regular Annual Stockholders' Meeting on May 19, 2014, or not later than April 25, 2014.

All other information regarding the positions and offices held by the above-mentioned nominees are integrated in the above write up.

Officers for 2013–2014

Below is a list of AEV officers for 2013–2014 with their corresponding positions and offices held for the past five years. Unless otherwise indicated hereunder, the officers assumed their positions during AEV's annual organizational meeting in 2013 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, 65 years old, Filipino, has served as Chairman of the Board of Directors of AEV since January 2009. He was President/Chief Executive Officer of AEV since 1994 until his retirement last December 2008. Mr. Aboitiz began his career with the Aboitiz Group in 1970. From a manager of the Aboitiz Shipping Corporation, Mr. Aboitiz was promoted to President of the company in 1976 and became President of Aboitiz & Company, Inc. (ACO) in 1991 until 2008. He is also Chairman of the Board of Directors of ACO; Vice Chairman of AboitizPower; and Director of Cotabato Light, Davao Light, and International Container Terminal Services, Inc. Mr. Aboitiz is also the Vice Chairman of the Board of Directors of UnionBank. He is Chairman of UnionBank's Executive Committee, Risk Management Committee and Corporate Governance Committee, including the latter's Compensation Remuneration and Nomination Sub-Committees. He is the President of the Aboitiz Foundation, Inc., Trustee and Vice President of the Ramon Aboitiz Foundation, Inc. (RAFI); Trustee of the Santa Clara University, California and The Philippine Business for Social Progress Foundation; and member of the Board of Advisors of the Association of Foundations, as well as The Coca Cola Export Corporation in the Philippines. He was a Director of CitySavings, from 2006 up to March 2013. Mr. Aboitiz holds a B.S. Commerce degree with a major in Management from the Santa Clara University, California, U.S.A.

ERRAMON I. ABOITIZ

Director

President & Chief Executive Officer

Mr. Erramon I. Aboitiz, 57 years old, Filipino, has served as President & Chief Executive Officer of AEV since January 2009. He has been a Director of AEV since 1994 and was its Executive Vice President and Chief Operating Officer from 1994 to December 2008. He is also President and Chief Executive Officer of ACO and AboitizPower; Chairman of the Board of Directors of Davao Light, San Fernando Electric, Cotabato Light, Subic Enerzone, SN AboitizPower-Benguet, SN AboitizPower-Magat, Aboitiz Renewables, Therma Power and AboitizLand; and Director of UnionBank, Pilmico, and RP Energy. He is also Chairman of Aboitiz Foundation and Director of the Family Business Development Center (Ateneo de Manila University) and the Philippine Disaster Recovery Foundation. He received a Bachelor of Science degree in Business Administration, major in Accounting and Finance, from Gonzaga University, Spokane, Washington, U.S.A.

STEPHEN G. PARADIES

Ex-Officio Member – Board Risk and Reputation Management Committee

Senior Vice President/Chief Financial Officer/Corporate Information Officer

Mr. Stephen G. Paradies, 60 years old, Filipino, has been Senior Vice President, Chief Financial Officer and Corporate Information Officer of AEV since 2004. He is also Senior Vice President-Finance/Treasurer and a member of the Board of Advisers of ACO; Director and Senior Vice President and Treasurer of ACGI; Director of UnionBank, Union Properties, Inc., International Container Terminal Services, Inc., Pilmico, PANC, Metaphil International, Inc., Therma Mobile, Therma South, Therma Visayas, and West Cebu People Solutions, Inc.; Director and Vice President of AEV Av; Trustee and Treasurer of Aboitiz Foundation; Director and Treasurer of Aseagas Corporation; and

Treasurer of CIPDI. He obtained his Bachelor of Science in Business Management degree from Santa Clara University, California, U.S.A.

MIKEL A. ABOITIZ

Senior Vice President/Chief Information Officer

Mr. Mikel A. Aboitiz, 59 years old, Filipino, has been Senior Vice President and Chief Information Officer of AEV since 2004. He was the Company's Chief Strategy Officer from 2004 to 2012. He is the Chairman of the Board of Directors of CPDC; Vice-Chairman of AboitizLand and Propriedad del Norte, Inc.; Director and Senior Vice President for Strategy of ACO; Director / President and Chief Executive Officer of CitySavings; Director of Cotabato Light, Davao Light, Pilmico, PANC, APRI, AEV Av, Therma Power and Therma Luzon; and Trustee and Treasurer of RAFI. He holds a degree in Bachelor of Science, major in Business Administration, from Gonzaga University, Spokane, U.S.A.

ENRIQUE M. ABOITIZ, JR.

Director

Chairman – Board Risk and Reputation Management Committee

Senior Vice President

Mr. Enrique M. Aboitiz, Jr., 60 years old, Filipino, has served as Director of AEV since 1994. He is also the Chairman of the Board of Directors of AboitizPower and WeatherPhilippines; and 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.

JUAN ANTONIO E. BERNAD

Senior Vice President

Mr. Juan Antonio E. Bernad, 57 years old, Filipino, has been Senior Vice President of AEV since 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; Executive Vice President – Regulatory Affairs of Davao Light; Director and Senior Vice President of VECO; and Director of Cotabato Light, AEV Av, APRI and UnionBank. He has an Economics degree from Ateneo de Manila University and a Master's degree in Business Administration from The Wharton School of the University of Pennsylvania, U.S.A.

XAVIER JOSE ABOITIZ

Ex-Officio Member – Board Corporate Governance Committee

Senior Vice President – Chief Human Resources Officer

Mr. Xavier Jose Aboitiz, 54 years old, Filipino, has been Senior Vice President – Chief Human Resources Officer of AEV since 2004. He is also Senior Vice President for Human Resources and a member of the Board of Advisers of ACO; Director of Pilmico, VECO and Davao Light; Director / President and Chief Executive Officer of 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.

GABRIEL T. MAÑALAC

Senior Vice President – Group Treasurer

Mr. Gabriel T. Mañalac, 57 years old, Filipino, has been Senior Vice President – Group Treasurer of AEV since January 2009. He joined AEV as Vice President for Treasury Services in 1998 and was promoted to First Vice President for Treasury Services in 2004. He is also Senior Vice President and Treasurer of AboitizPower; 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.

M. JASMINE S. OPORTO

Ex-Officio Member – Board Corporate Governance Committee

Senior Vice President – Chief Legal Officer/Corporate Secretary/ Compliance Officer

Ms. M. Jasmine S. Oporto, 54 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 of AEV. She is also Vice President for Legal Affairs of Davao Light; Chief Compliance Officer and Corporate Secretary of AboitizPower; Corporate Secretary of Hijos de F. Escaño, Inc. 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 bars. She is an Associate of the Institute of Corporate Directors and completed the course for Corporate Governance and Risk Management for Board of Trustees/Directors of Banks.

SUSAN V. VALDEZ

Ex-Officio Member – Board Risk and Reputation Management Committee

Senior Vice President – Chief Reputation Officer and Risk Management Officer

Ms. Susan V. Valdez, 53 years old, Filipino, has been Senior Vice President – Chief Reputation Officer and Risk Management Officer of AEV since July 2013. She was First Vice President – Chief Reputation Officer of AEV in September 2011. She is the Chief Reputation and Chief Risk Management Officer of AboitizPower since December 2012. She is also a Trustee of Aboitiz Foundation; and Director and President of WeatherPhilippines. 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.

PATRICK B. REYES

Senior Vice President – Chief Strategy Officer

Mr. Patrick B. Reyes, 42 years old, Filipino, has been Senior Vice President – Chief Strategy Officer of AEV since May 2013. He was first appointed to the Chief Strategy Officer role in 2012. He joined AEV as First Vice President – Corporate Finance in 2009. Prior to this, he was President of QBitron, a company that provides outsourcing services and management consulting to clients in the US and in the Philippines. He was a Senior Partner at Brookline Partners, a management consulting firm based in Newton, Massachusetts from 2004 to 2006, and Chief Operating Officer of Citizens Health LLC, a healthcare company based in Boston, Massachusetts from 2002 to 2004. He was also a consultant with the international strategy consulting firm, Bain & Company, Inc., from 1994 to 2002. Mr. Reyes graduated summa cum laude from the Boston College Wallace E. Carroll School of Management with a Bachelor of Science degree in Management, and finished his MBA at Harvard University Graduate School of Business Administration.

LUIS MIGUEL O. ABOITIZ

First Vice President

Mr. Luis Miguel O. Aboitiz, 49 years old, Filipino, has been First Vice President of AEV since 2004. He joined AEV in 1995 as Vice President. He is also Senior Vice President – Power Marketing and Trading of AboitizPower; President and Chief Executive Officer of AESI and Adventenergy; Director of

Hedcor, STEAG Power, ARI, Therma Power, PANC, Pilmico Foods, MORE, Therma Mobile, TPVI, Therma South, Therma Luzon, APRI, Hedcor Tudaya, Pagbilao Energy Corporation, CPDC and Hedcor Sibulan; and Director and First Vice President of ACO. He is Director of Philippine Electric Market Corporation, and President and Chairman of the Board of Philippine Independent Power Producers Association. 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 in Business Administration at the University of California at Berkeley, U.S.A.

HORACIO C. ELICANO

First Vice President – Chief Technology Officer

Mr. Horacio C. Elicano, 54 years old, Filipino, has been First Vice President and Chief Technology Officer of AEV since 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.

ROMÁN V. AZANZA III

First Vice President – Business Development

Mr. Román V. Azanza III, 45 years old, Filipino, has been First Vice President – Business Development of AEV since October 2011. 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.

MELINDA R. BATHAN

First Vice President – Controller

Ms. Melinda R. Bathan, 54 years old, Filipino, has been First Vice President – Controller of AEV since May 2012. She was previously AEV's Vice President – Controller from 2004 until 2012. She is Director and Treasurer of CPDC; and Treasurer of AEV Av. She 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.

NARCISA S. LIM

First Vice President – Human Resources and Quality

Ms. Narcisa S. Lim, 50 years old, Filipino, has been First Vice President – Human Resources and Quality of AEV since May 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.

IKER M. ABOITIZ

First Vice President – Finance

Mr. Iker M. Aboitiz, 41 years old, Filipino, has been First Vice President – Finance of AEV since June 2013. He is also currently First Vice President – Corporate Information Officer of AboitizPower; Director and Chief Financial Officer of Abovant; Director and Chief Financial Officer and Treasurer of Hijos de F. Escaño, Inc.; Director of Cotabato Light, Therma Power, ARI, CPPC, East Asia Utilities Corporation, AEV Av and UnionBank. He is Treasurer of MEZ and SEZ. He has extensive professional

experience in corporate finance within and outside the Aboitiz Group. Prior to his appointment as Chief Financial Officer, he was the Chief Financial Officer of ACGI. He graduated cum laude from Boston College with a degree in Bachelor of Science in Business Management, Major in Finance.

JOSEPH TRILLANA T. GONZALES
Vice President – Legal and Corporate Services

Mr. Joseph Trillana T. Gonzales, 47 years old, Filipino, has been Vice President – Legal and Corporate Services of AEV since 2008. He is also Corporate Secretary of APRI and Assistant Corporate Secretary of AboitizPower. He was previously Special Counsel of SyCip Salazar Hernandez & Gatmaitan Law Offices until he joined the Aboitiz Group in 2007 as Assistant Vice President of Corporate and Legal Services of ACO. He is a graduate of Bachelor of Arts in Economics and Bachelor of Laws from the University of the Philippines. He also has a Master of Laws degree from the University of Michigan, U.S.A, and is a member of the Integrated Bar of the Philippines.

SUSAN S. POLICARPIO
Vice President – Government Relations

Ms. Susan S. Policarpio, 57 years old, Filipino, has been Vice President – Government Relations of AEV since May 2012. She joined AEV in 2011 as Assistant Vice President for Government Relations. She is also Vice President for Government Relations of AboitizPower since May 2012. She was AboitizPower's Assistant Vice President for Government Relations from 2009 to 2012. Prior to her stint in AEV, she was Assistant Vice President for Government Relations of ATSC (now 2GO Group, Inc.). She was also Executive Director of the Domestic Shipping Association from 2001 to 2003. From 1998 to 2001, she was an Executive Director of the Honorary Investments and Trade Representatives of the Department of Trade and Industry. She is a member of the Philippine Chamber of Commerce and Industry and is a Bachelor of Arts in Communication graduate of St. Paul College.

ANNACEL A. NATIVIDAD
Vice President – Financial Risk Management

Ms. Annacel A. Natividad, 44 years old, Filipino, has been Vice President – Financial Risk Management of AEV since July 2013. Before joining AEV, Ms. Natividad was with ATSC (now 2GO Group, Inc.) where she was Vice President – Chief Finance Officer and Risk Management Head since June 2007. Concurrently, she was also the Chief Finance Officer of Scanasia Overseas, Inc., Kerry-ATS Logistics, Inc., Hapag- Lloyd Philippines, Inc., Aboitiz Project TS Corporation and Sea Merchants, Inc. Ms. Natividad has a Bachelor of Science in Commerce degree from the University of Santo Tomas and earned her Masters in Business Administration degree from De La Salle University.

ROBIN PATRICK R. SARMIENTO
Assistant Vice President – Strategy and Corporate Finance

Mr. Robin Patrick R. Sarmiento, 34 years old, Filipino, has been Assistant Vice President – Strategy and Corporate Finance of AEV since May 2012. He was Assistant Vice President for Strategy from 2010 to 2012. Before joining AEV, he was an Investment Analyst of ATR Kim Eng Securities. He was also Strategic Finance and Analysis Manager of American Golf Corporation in California. He earned his Bachelor of Arts degree in Interdisciplinary Studies from Ateneo de Manila University.

VIVIEN V. LIMJOCO
Assistant Vice President – Strategy and Corporate Finance

Ms. Vivien V. Limjoco, 43 years old, Filipino, has been Assistant Vice President – Strategy and Corporate Finance of AEV since February 2012. Before joining AEV, she worked with ATSC (now 2GO Group, Inc.) as Assistant Vice President – Corporate Finance and Corporate Planning, and Investor Relations Officer. She has a wide experience in corporate finance and strategy, with focus on financial and investment analysis, forecasting, budgeting and control. She was also a Freelance Financial Consultant and was previously with PCI Capital Corporation as Senior Associate –

Corporate Finance Group. She is a graduate of a BA (Hons) Degree in International Business with specialization in Corporate Finance, International Economics, and Spanish and Italian languages from the European Business School London in the United Kingdom.

RONALDO S. RAMOS

Assistant Vice President – Business Risk Management

Mr. Ronaldo S. Ramos, 35 years old, Filipino, has been Assistant Vice President – Business Risk Management of AEV since 2009. He has extensive experience in risk management, internal and IT audits and business process reviews. Before joining AEV, he was Senior Manager for Risk Advisory Services of KPMG Philippines; Operations Auditor of Petron Corporation; and Audit and Business Advisory Services Associate of SyCip Gorres Velayo & Co. He is a Bachelor of Science in Accountancy graduate from De La Salle University and is a Certified Public Accountant, Certified Internal Auditor and Certified Information Systems Auditor. He also holds an International Certificate in Risk Management from the Institute of Risk Management, United Kingdom.

JOSE ANGELO T. FERNANDEZ

Assistant Vice President – Business Development

Mr. Jose Angelo T. Fernandez, 49 years old, Filipino, has been Assistant Vice President – Business Development of AEV since November 2012. He joined the Aboitiz Group in 2011 as Vice President for Marketing of ACGI. Before joining ACGI, he was with CEMEX (Trading) Asia where he worked for nine years as Trading & Exports Manager for the Asia Pacific Region, and with Marubeni Philippines Corporation where he worked for four years as Manager for the Plant and Machinery, Ship & Aerospace Department. Mr. Fernandez is a graduate of Bachelor of Arts in International Relations, minor in Economics, from the University of Southern California in Los Angeles, California, U.S.A.

DAVE MICHAEL V. VALERIANO

Assistant Vice President – Investor Relations

Mr. Dave Michael V. Valeriano, 34 years old, Filipino, has been Assistant Vice President – Investor Relations of AEV since August 2012. Before joining AEV, he worked at Manila Water Company, Inc. where he served in various capacities, the last being the Head of Treasury and Investor Relations Department. Mr. Valeriano is a Bachelor of Science in Civil Engineering graduate of the University of the Philippines – Diliman, and passed the Civil Engineering licensure examination in 2012. He completed his Masters in Business Administration degree from De La Salle University Graduate School of Business.

JULIE ANN T. DIONGZON

Assistant Vice President – Treasury

Ms. Julie Ann T. Diongzon, 44 years old, Filipino, has been Assistant Vice President – Treasury of AEV since 2009. A B.S. Commerce graduate of the University of San Carlos, she has been with the Aboitiz Group for more than 20 years, holding various accounting and finance positions.

AYLMERITA C. PEÑALOZA

Assistant Vice President – Treasury

Ms. Aylmerita C. Peñaloza, 43 years old, Filipino, has been Assistant Vice President – Treasury of AEV since July 2010. Prior to joining AEV, Ms. Peñaloza was Senior Assistant Vice President for Corporate and Financial Institutions of Credit Agricole CIB Manila Offshore Branch and Relationship Manager for Corporate Banking of BDO Unibank, Inc. and Security Bank Corporation. She holds a Bachelor of Science in Commerce degree major in Accounting from the University of Santo Tomas. She earned her Master in Business Administration and Project Finance Diploma from Ateneo de Manila University Graduate School of Business. She completed the Strategic Finance Program and Project Management Program from the Asian Institute of Management. She is a licensed Trader for Money Market and Foreign Exchange under the Bankers Association of the Philippines.

MARILOU P. PLANDO**Assistant Vice President – Business Administrator for Legal and Corporate Services**

Ms. Marilou P. Plando, 38 years old, Filipino, has been Assistant Vice President – Business Administrator for Legal and Corporate Services of AEV since 2011. Before joining AEV, she was Operations Director of Sykes Asia, Inc. She has extensive experience in operations and quality assurance management from working in various capacities with Sykes Asia, Inc. and Lear Automotive Services (Netherlands) B.V. – Philippine Branch. She is a Bachelor of Science in Industrial Engineering graduate from the University of San Jose – Recoletos.

JOSEPH Y. TUGONON**Assistant Vice President – Tax Management Services for Legal and Corporate Services**

Mr. Joseph Y. Tugonon, 40 years old, Filipino, has been Assistant Vice President – Tax Management Services for Legal and Corporate Services of AEV since 2011. He has extensive experience and training in the field of corporate taxation. He joined AEV in 2003 as Associate General Counsel and was promoted to Senior General Counsel in 2006. He was previously with the Legal Division of the Bureau of Internal Revenue. He is a Bachelor of Laws graduate from the University of San Carlos and earned his Bachelor of Arts in Political Science degree, from the same university. He is a member of the Integrated Bar of the Philippines.

CATHERINE R. ATAY**Assistant Vice President – Corporate Secretarial and Compliance Services for Legal and Corporate Services/ Assistant Corporate Secretary**

Ms. Catherine R. Atay, 35 years old, Filipino, has been Assistant Vice President – Corporate Secretarial and Compliance Services for Legal and Corporate Services of AEV since May 2012. She is concurrently the Assistant Corporate Secretary of AEV. She is also Corporate Secretary of ACO, ACGI, ARI, Abovant, Cotabato Light, Davao Light, Hedcor Tamugan, Hedcor, Inc., Hydro Electric Development Corporation, Metaphil International, Inc., Pilmico, PANC, Therma Power, Tsuneishi Foundation (Cebu), Inc., THI, Therma South, CPPC, LHC and West Cebu Foundation, Inc. She is also the Assistant Corporate Secretary of AboitizLand, Aboitiz Foundation, AEV Av, BEZ, MEZ, CIPDI, CIPSI, CPDC, Cotabato Ice Plant, Inc., EAUC, Hedcor Bukidnon, Hedcor Sabangan, Hedcor Tudaya, Therma Marine, Therma Mobile, and Therma Luzon. She earned her Bachelor of Science in Accountancy degree (cum laude) and Bachelor of Laws degree from the University of San Carlos. She is a member of the Integrated Bar of the Philippines and is a Certified Public Accountant. She completed the Professional Directors course of the Institute of Corporate Directors.

MARIA LOURDES Y. TANATE**Assistant Vice President – Group Internal Audit**

Ms. Maria Lourdes Y. Tanate, 48 years old, Filipino, has been Assistant Vice President – Group Internal Audit of AEV since November 2011. Before joining AEV, she was the Chief Audit Executive of ATSC (now 2GO Group, Inc.) and also served as Assistant Vice President for Finance, Freight Planning, Projects and Quality Management. She has extensive experience in internal audit, financial and investment analysis and corporate finance, with focus on budgeting, financial planning and control. She graduated cum laude with a Bachelor of Arts in Economics degree from the University of the Philippines – Diliman and subsequently obtained her Masters in Business Administration degree from the same school. She earned her Masters degree in Engineering and Technology Management at the University of Queensland, Australia.

ANDY G. TORRATO**Assistant Vice President – Physical Assets Security**

Mr. Andy G. Torrato, 40 years old, Filipino, has been Assistant Vice President – Physical Assets Security of AEV since January 2012. Before joining AEV, he worked with 2GO Freight as Security and

Safety Manager. He has extensive experience in security management from working in various capacities with the Naval Sea Systems Command, Naval Education and Training Command and Philippine Fleet of the Philippine Navy, Armed Forces of the Philippines. He is a Bachelor of Science in Naval Systems Engineering graduate of the Philippine Military Academy.

FRANCISCO VICTOR G. SALAS

Assistant Vice President – Corporate Branding and Communication

Mr. Francisco Victor G. Salas, 43 years old, Filipino, has been Assistant Vice President – Corporate Branding and Communication of AEV since November 2012. Before joining AEV, he was with Mead Johnson Nutrition (Philippines), Inc. as Corporate Affairs Manager. He has extensive experience in corporate communication and corporate finance after working in various capacities with the Aboitiz Group. Mr. Salas is a Bachelor of Arts in Political Science graduate from the University of the Philippines – Diliman. He completed his Master of Business Administration degree at Edinburgh Business School, Heriot-Watt University in Edinburgh, United Kingdom.

MARIA LUISA L. MARASIGAN

Assistant Vice President – Sustainability, Corporate Branding and Communication

Ms. Maria Luisa L. Marasigan, 49 years old, Filipino, has been Assistant Vice President – Sustainability, Corporate Branding and Communication of AEV since February 2013. Prior to joining AEV, she was connected with the Asian Development Bank as Logistics Management Officer. She also worked in various capacities with ATSC (now 2GO Group, Inc.) and its different subsidiaries and affiliates from 1988 to 2011. She is a graduate of Bachelor of Science in Industrial Engineering from the University of Santo Tomas. She also earned her Masters in Management from Asian Institute of Management.

FRANCIS S. CABANBAN

Assistant Vice President – IT Architect

Mr. Francis S. Cabanban, 46 years old, Filipino, has been Assistant Vice President – IT Architect of AEV since January 2013. He has been with the Aboitiz Group for 22 years and has held various technical and management positions in IT. He earned his Bachelor of Science in Computer Engineering degree from the University of San Carlos. He completed his Master of Management degree at the University of the Philippines.

JOSE GREGO U. SITUY

Assistant Vice President – IT Operations and Information Security

Mr. Jose Grego U. Sitoy, 46 years old, Filipino, has been Assistant Vice President – IT Operations and Information Security of AEV since January 2013. Prior to his promotion, he was AEV's Information Security Manager from 2007 to 2012. Concurrently, he also served as AEV's Integrated Management Representative. Mr. Sitoy is a Bachelor of Science in Computer Engineering graduate from the University of Cebu.

MERCEDES MARIA B. ZAMORA

Assistant Vice President – Talent Optimization

Ms. Mercedes Maria B. Zamora, 33 years old, Filipino, has been Assistant Vice President – Talent Optimization of AEV since January 2014. Prior to her promotion, she was AEV's Talent Optimization Officer from 2011 to 2014 and Corporate Human Resources Manager from 2005 to 2011. She was instrumental in managing the Aboitiz Group Talent Management Program, and in maintaining the leadership pipeline and succession of critical top-tier positions within the Aboitiz Group. Ms. Zamora is a graduate of Bachelor of Science in Management from Ateneo de Manila University.

RAYMUND JAY S. GOMEZ**Assistant Vice President – Labor and Litigation for Legal and Corporate Services**

Mr. Raymund Jay S. Gomez, 42 years old, Filipino, has been Assistant Vice President – Labor and Litigation for Legal and Corporate Services of AEV since February 2014. He was previously with JG Summit Holdings, Inc. as its Director – Corporate Legal Affairs and Litigation from 2012 to 2014, and as Senior Legal Counsel from 2008 to 2012. He also served as the Legal Counsel of Cebu Air, Inc. from November 2005 to May 2008. He obtained his Bachelor of Science in Commerce, Major in Legal Management degree from De La Salle University, and his Bachelor of Laws degree from San Beda College. He is a member of the Integrated Bar of the Philippines.

ELLEN NIKOLINE B. FELDING**Assistant Director – Business Development**

Ms. Ellen Nikoline B. Felding, 40 years old, Danish, has been Assistant Director – Business Development of AEV since March 2014. She has a strong background in finance, internal accounting and marketing. For the period of 2004 to 2012 and prior to joining AEV, Ms. Felding was an Investment Manager at Polaris Private Equity, where she actively participated in transactions involving acquisitions, divestments and mergers of a diverse group of companies in Northern Europe. Ms. Felding obtained her Bachelor of Science in Economics and Management degree and her Masteral in Management from Aarhus University (Denmark).

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, Roberto and Mikel Aboitiz are brothers and are thus related to each other within the fourth civil degree of consanguinity.

Messrs. Erramon, Enrique, Jr., Xavier Jose and Iker Aboitiz are brothers and are thus related to each other within the fourth civil degree of consanguinity. They are also related within the fourth civil degree of consanguinity to Mr. Stephen G. Paradies, who is their first cousin.

(4) Involvement in Certain Legal Proceedings as of March 31, 2014

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, 2014, which would put to question his/her ability and integrity to serve AEV and its stockholders.

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 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 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:

Chief Executive Officer and the Four Most Highly Compensated Officers	Year	Salary	Bonus	Other Compensation
Erramon I. Aboitiz - President & Chief Executive Officer				
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				
All above named officers as a group	Actual 2013	₱116,112,260.00	₱8,644,000.00	₱7,046,794.00
	Actual 2012	₱61,756,960.00	₱3,465,000.00	₱6,744,607.00
	Projected 2014	₱127,723,486.00	₱9,508,400.00	₱7,751,473.00
All other unnamed directors and officers as a group	Actual 2013	₱73,958,787.00	₱11,373,748.00	₱30,735,766.00
	Actual 2012	₱59,924,922.00	₱5,305,586.00	₱28,605,770.00
	Projected 2014	₱81,354,666.00	₱12,511,123.00	₱33,809,342.00

* The four most highly compensated officers in 2012 are Stephen G. Paradies, Xavier Jose Aboitiz, Luis Miguel O. Aboitiz and Susan V. Valdez. Mr. Erramon I. Aboitiz has been the duly appointed Chief Executive Officer of the Company since 2012.

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

In 2013, all of AEV's directors received a monthly allowance of P100,000.00 except for the Chairman of the Board who received a monthly allowance of P150,000.00. 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	P100,000	P150,000

Type of Meeting	Committee Members	Chairman of the Committee
Committee Meeting	P80,000	P100,000

(ii) Other Arrangements

Other than payment of the directors' allowance and 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, 2014

Title of Class	Name/Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner	Citizenship	No. of Shares and Nature of Ownership (Record or Beneficial)	Percent of Class
Common	1. Aboitiz & Company, Inc. ⁷ Aboitiz Corporate Center Gov. Manuel A. Cuenco Avenue, Kasambagan, Cebu City 6000 (Stockholder)	Aboitiz & Company, Inc. ⁸	Filipino	2,735,600,915 (Record and Beneficial)	49.54%
Common	2. PCD Nominee Corporation ⁹ (Filipino) G/F MSE Bldg. Ayala Avenue, Makati City (Stockholder)	PCD participants acting for themselves or for their customers ¹⁰	Filipino	555,979,566 (Record)	10.07%
Common	3. PCD Nominee Corporation ¹¹ (Foreign) G/F MSE Bldg. Ayala Avenue, Makati City (Stockholder)	PCD participants acting for themselves or for their customers ¹²	Non-Filipino	537,793,725 (Record)	9.74%
Common	4. Ramon Aboitiz Foundation, Inc. ¹³ 35 Lopez Jaena St., Cebu City (Stockholder)	Ramon Aboitiz Foundation, Inc.	Filipino	420,915,863 (Record and Beneficial)	7.62%

Parent Company

AEV's parent company is ACO. As of March 31, 2014, ACO owns 49.54% of AEV.

⁷ ACO, the major shareholder of AEV, is a corporation wholly-owned by the Aboitiz family. No single stockholder, natural or juridical, owns 5% or more of the shareholdings of ACO.

⁸ 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.

⁹ 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.

¹⁰ AEV has no record relating to the power to decide how the shares held by PCD Nominee Corporation (Foreign and Filipino) to be voted. The Company was informed that none of the customers under PCD participant beneficially owns more than 5% of the AEV's common shares.

¹¹ *Supra Note 9.*

¹² *Supra Note 10.*

¹³ Mr. Roberto E. Aboitiz and/or Mr. Jon Ramon Aboitiz, Chairman/President and Vice President, respectively, of the RAFI, will vote for the shares of RAFI in AEV in accordance with the directive of the RAFI Board of Trustees.

(2) Security Ownership of Management as of March 31, 2014 (Record and Beneficial)

Name of Beneficial Owner and Position	Title of Class	No. of Shares and Nature of Ownership (Record or Beneficial)		Citizenship	Percentage of Ownership
Jon Ramon Aboitiz Chairman of the Board of Directors	Common	4,648	Direct	Filipino	0.00%
		128,548,372	Indirect		2.33%
Erramon I. Aboitiz Director/President & Chief Executive Officer	Common	1,001,000	Direct	Filipino	0.02%
		55,222,550	Indirect		1.00 %
Roberto E. Aboitiz Director	Common	10	Direct	Filipino	0.00%
Enrique M. Aboitiz, Jr. Director/Senior Vice President	Common	6,000	Direct	Filipino	0.00%
Justo A. Ortiz Director	Common	1	Direct	Filipino	0.00%
Antonio R. Moraza Director	Common	1,000	Direct	Filipino	0.00%
		19,560,196	Indirect		0.35%
Jose C. Vitug Independent Director	Common	100	Direct	Filipino	0.00%
		72,020	Indirect		0.00%
Stephen T. CuUnjieng Independent Director	Common	100	Direct	Filipino	0.00%
Raphael P.M. Lotilla Independent Director	Common	100	Direct	Filipino	0.00%
Stephen G. Paradies Senior Vice President/Chief Financial Officer/Corporate Information Officer	Common	22,380,003	Indirect	Filipino	0.41%
Mikel A. Aboitiz Senior Vice President/Chief Information Officer	Common	10	Direct	Filipino	0.00%
		93,399,799	Indirect		1.69 %
Juan Antonio E. Bernad Senior Vice President	Common	730,351	Direct	Filipino	0.01%
		252,970	Indirect		0.00%
Xavier Jose Aboitiz Senior Vice President – Chief Human Resources Officer	Common	1,998,236	Direct	Filipino	0.04%
		17,621,856	Indirect		0.32%
Gabriel T. Mañalac Senior Vice President – Group Treasurer	Common	48,338	Direct	Filipino	0.00%
M. Jasmine S. Oporto Senior Vice President – Chief Legal Officer/Corporate Secretary/Compliance Officer	Common	44,121	Direct	Filipino	0.00%
Susan V. Valdez Senior Vice President – Chief Reputation Officer and Risk Management Officer	Common	529,807	Direct	Filipino	0.01%
Patrick B. Reyes Senior Vice President – Chief Strategy Officer	Common	52,760	Direct	Filipino	0.00%
Luis Miguel O. Aboitiz First Vice President	Common	21,888,880	Direct	Filipino	0.40%
Horacio C. Elicano First Vice President – Chief Technology	Common	153,580	Direct	Filipino	0.00%

Name of Beneficial Owner and Position	Title of Class	No. of Shares and Nature of Ownership (Record or Beneficial)		Citizenship	Percentage of Ownership
Officer					
Román V. Azanza III First Vice President – Business Development	Common	153,448	Direct	Filipino	0.00%
Melinda R. Bathan First Vice President – Controller	Common	65,641	Direct	Filipino	0.00%
Narcisa S. Lim First Vice President – Human Resources and Quality	Common	13,780	Direct	Filipino	0.00%
Iker M. Aboitiz First Vice President – Finance	Common	5,521,005	Direct	Filipino	0.10%
		7,185,350	Indirect	Filipino	0.13%
Joseph Trillana T. Gonzales Vice President – Legal and Corporate Services	Common	52,000	Direct	Filipino	0.00%
Susan S. Policarpio Vice President – Government Relations	Common	2,058	Direct	Filipino	0.00%
Annacel A. Natividad Vice President – Financial Risk Management	Common	51,836	Direct	Filipino	0.00%
Robin Patrick R. Sarmiento Assistant Vice President – Strategy and Corporate Finance	N.A.	0	N.A.	Filipino	0.00%
Vivien V. Limjoco Assistant Vice President – Strategy and Corporate Finance	Common	8,000	Direct	Filipino	0.00%
Ronaldo S. Ramos Assistant Vice President – Business Risk Management	Common	5,000	Direct	Filipino	0.00%
Jose Angelo T. Fernandez Assistant Vice President – Business Development	N.A.	0	N.A.	Filipino	0.00%
Dave Michael V. Valeriano Assistant Vice President – Investor Relations	N.A.	0	N.A.	Filipino	0.00%
Julie Ann T. Diongzon Assistant Vice President – Treasury	N.A.	0	N.A.	Filipino	0.00%
Aylmerita C. Peñaloza Assistant Vice President – Treasury	N.A.	0	N.A.	Filipino	0.00%
Marilou P. Plando Assistant Vice President – Business Administrator for Legal and Corporate Services	Common	1,500	Direct	Filipino	0.00%
Joseph Y. Tugonon Assistant Vice President – Tax Management Services for Legal and Corporate Services	N.A.	0	N.A.	Filipino	0.00%
Catherine R. Atay Assistant Vice President – Corporate Secretarial and Compliance Services for Legal and Corporate Services/ Assistant Corporate Secretary	N.A.	0	N.A.	Filipino	0.00%
Maria Lourdes Y. Tanate Assistant Vice President – Group	Common	16,000	Direct	Filipino	0.00%

Name of Beneficial Owner and Position	Title of Class	No. of Shares and Nature of Ownership (Record or Beneficial)		Citizenship	Percentage of Ownership
Internal Audit					
Andy G. Torato Assistant Vice President – Physical Assets Security	N.A.	0	N.A.	Filipino	0.00%
Francisco Victor G. Salas Assistant Vice President – Corporate Branding and Communication	Common	2,000	Direct	Filipino	0.00%
Maria Luisa L. Marasigan Assistant Vice President – Sustainability, Corporate Branding & Communication	Common	43,265	Direct	Filipino	0.00%
Francis S. Cabanban Assistant Vice President – IT Architect	Common	8,911	Direct	Filipino	0.00%
		8,911	Indirect		0.00%
Jose Grego U. Sitoy Assistant Vice President – IT Operations and Information Security	Common	3,157	Direct	Filipino	0.00%
Mercedes Maria B. Zamora Assistant Vice President – Talent Optimization	N.A.	0	N.A.	Filipino	0.00%
Raymund Jay S. Gomez Assistant Vice President – Labor and Litigation for Legal and Corporate Services	N.A.	0	N.A.	Filipino	0.00%
Ellen Nikoline B. Felding Assistant Director – Business Development	N.A.	0	N.A.	Filipino	0.00%
TOTAL		376, 658, 670			6.82%

(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 three years. 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 a new power plant and the ongoing repair and rehabilitation of certain generation assets.

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

The above related party transactions are discussed extensively in Note 31 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 III – CORPORATE GOVERNANCE

Item 13. Corporate Governance

AEV has a Manual of Corporate Governance (Manual) and Code of Ethics and Business Conduct (Code) to guide the attainment of its corporate goals and strategies. To ensure compliance, copies of the Manual and the Code were disseminated to the Board of Directors, management and employees of AEV. Company-wide orientations on the Manual and the Code were conducted as well.

AEV has in place a performance evaluation system for corporate governance. It also participated, and intends to participate, in the Annual Corporate Governance Scorecard Surveys of the SEC, PSE and the Institute of Corporate Directors (ICD) to benchmark its corporate governance practices against best practices. AEV likewise participates in the ASEAN Corporate Governance Scorecard, which was adopted by the Philippines in September 2012. The Compliance Officer regularly monitors and evaluates compliance by the Board of Directors, management and employees to the Manual, the Code, other company policies, and existing laws and regulations. Together with the Human Resources Department, the Compliance Officer also ensures the implementation of AEV's rule against conflicts of interest and the misuse of confidential and proprietary information throughout the organization.

The Compliance Officer regularly reports to the Board Corporate Governance Committee and the Board Audit Committee the Company's compliance status with existing laws and regulations, as well as the Board's, management's and employees' compliance with internal governance policies.

Corporate governance is further fostered by the Board's active role in reviewing and approving corporate goals and strategies set by management, as well as in monitoring and evaluating management performance in meeting such corporate goals. The different Board committees, which report regularly to the Board, are crucial to maintaining Board oversight in key management areas.

There are no major deviations from the Manual as of the date of this report. The Board of Directors regularly reviews the Manual to ensure that the same remains relevant and is responsive to the needs of the organization.

A copy of the complete Corporate Governance Report (CG Report) of the Compliance Officer is available at www.aboitiz.com/AEV/7912:governance-practices.html. A condensed copy of the CG Report is also included in the Company's Annual Report and can be accessed at www.aboitiz.com/AEV/1694:downloads.html.

Board Attendance

The Board's primary objectives are to improve shareholder returns, to develop responsible long-term investors, and to achieve disciplined and sustainable growth. To this end, board attendance and active participation during board meetings are encouraged. Attendance during board meetings are closely monitored and reported by the Compliance Officer to the SEC, PSE and PDEX and uploaded in the Corporate Governance webpage of the Company.

In 2013, the Board held eight regular and special meetings. Below is a summary of the attendance of the Directors.

DIRECTORS	REGULAR AND SPECIAL MEETINGS 2013							
	31-Jan Regular	5-Mar Special	21-Mar Regular	20-May Regular	31-Jul Regular	26-Sept Regular	27-Nov Regular	16-Dec (Board Retreat)
Jon Ramon Aboitiz	P	P	P	P	P	P	P	P
Erramon I. Aboitiz	P	P	P	P	P	P	P	P
Roberto E. Aboitiz	P	P	P	A	A	P	P	P
Enrique M. Aboitiz, Jr.	P	P	P	P	P	P	P	A
Justo A. Ortiz	P	P	P	P	A	P	P	P
Antonio R. Moraza	P	P	P	P	P	P	P	P
Jose C. Vitug	P	P	P	P	P	P	P	P
Stephen CuUnjieng	P	P	P	P	P	P	P	P
Raphael P.M. Lotila	P	P	P	P	P	P	P	P
TOTAL NO. OF DIRECTORS PRESENT	9	9	9	8	7	9	9	8
PERCENTAGE NO. OF DIRECTORS PRESENT IN EACH MEETING	100.00%	100.00%	100.00%	88.89%	77.78%	100.00%	100.00%	88.89%

Pursuant to SEC Memorandum Circular No. 1-2014, the Company reported the attendance of the Board of Directors for the year 2013 to the SEC and the PSE. A copy of the report was uploaded in the Company's website and can be accessed at <http://www.aboitiz.com/templates/corpgov/reports/ACGR%20AEV%20june%2028%202013.pdf>.

Corporate Governance Initiatives

Going beyond mere compliance and box-ticking, the Company regularly updates its corporate governance policies to ensure that they are relevant to the needs of the organization and, at the same time, at par with global best practices.

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. On May 17, 2010, the Board approved an amendment

to the Company's Amended Manual, incorporating the responsibility of the Board Strategy Committee under the functions of the Board of Directors. The reorganization aimed to (a) enhance the role of the Board of Directors in governance, (b) better represent and protect the interests of all stakeholders of the Company, and (c) ensure compliance with regulatory standards and provide appropriate information and updates.

In its August 2012 Board Meeting, the Board approved the proposed revisions on AEV's Manual regarding the removal of the reputation oversight function of the Board Corporate Governance Committee and the transfer of this function to the newly reorganized Board Risk and Reputation Management Committee, and to adopt the changes in the Board Audit Committee Charter as required by SEC Memorandum Circular No. 4, Series of 2012.

In 2013, AEV launched its corporate governance e-learning course which was made available to all newly-hired employees of the Company. This e-learning course superseded the mandatory corporate governance seminar conducted for all employees during previous years and supplements the annual corporate governance training required by the SEC on all directors and key officers starting 2014, pursuant to SEC Memorandum Circular 1, Series of 2014.

The mandate and the composition of each Board committee are described below:

- The Board Corporate Governance Committee represents the Board in discharging its responsibility relating to issues around the Group's governance principles and guidelines, nomination of persons into Board and Group senior leadership roles, and the various compensation matters. Independent Directors comprise majority of the voting members of the Board Corporate Governance Committee.

Chairman: Jon Ramon Aboitiz; Members: Roberto E. Aboitiz, Jose C. Vitug, Raphael P.M. Lotilla, Stephen T. CuUnjieng; Ex-Officio Members: M. Jasmine S. Oporto, Xavier Jose Aboitiz

- The Board Audit Committee represents the Board in discharging its responsibility related to audit matters for the Group. Independent Directors comprise majority of the members of the Board Audit Committee, including its Chairman.

Chairman: Jose C. Vitug, Members: Raphael P.M. Lotilla, Stephen T. CuUnjieng, Roberto E. Aboitiz, Justo A. Ortiz

- The Board Risk and Reputation Management Committee represents the Board in discharging its responsibility relating to risk management related matters for the Group.

Chairman: Enrique M. Aboitiz, Jr.; Members: Justo A. Ortiz, Jon Ramon Aboitiz, Stephen T. CuUnjieng; Ex-Officio Members: Stephen G. Paradies, and Susan V. Valdez

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 2013 – March 2014 are as follows:

Date	Disclosure Details
April 24, 2013	Agreement Between Aboitiz Land, Inc. And Ayala Land, Inc. To Form a Joint Venture Company
May 3, 2013	First Quarter 2013 Financial And Operating Results
May 20, 2013	Results Of 2013 Annual Stockholders' Meeting
May 20, 2013	Results Of Organizational Meeting
May 28, 2013	Joint Venture Agreement With J.V. Angeles Construction Company
June 11, 2013	Appointment Of Mr. Iker M. Aboitiz As First Vice President – Finance
February 22, 2013	SEC Approval Of The Amended Articles Of Incorporation And Amended By Laws
June 25, 2013	Offer To Purchase 60% Of Lima Land, Inc.
June 27, 2013	Promotion Of Ms. Annacel A. Natividad As Vice President – Financial Risk Management
July 23, 2013	Submission Of Winning Bid For The Sale And Acquisition Of Lot In Batangas
August 2, 2013	2 nd Quarter Financial And Operating Results
August 2, 2013	Appointment Of External Auditor
September 20, 2013	Purchases Of 7,463,129 UBP Shares
September 23, 2013	Purchases Of 7,079,161 UBP Shares
September 25, 2013	Transfer Of Noemi Sebastian
September 26, 2013	Board Approval For The Issuance Of Retail Bonds
October 3, 2013	Signing Of Share Purchase Agreement Of Aboitizland And Alsons Land Corporation
October 7, 2013	Consummation Of Share Purchase Agreement
October 21, 2013	“PRS AAA” Rating From Philippine Rating Services Corporation
October 23, 2013	Submission Of Prequalification Documents To Dpwh For Cala-X Bidding
October 30, 2013	Third Quarter Financial And Operating Results 2013
November 8, 2013	SEC Approval For The Issuance Of Fixed Rate Corporate Retail Bonds
November 11, 2013	SEC Issuance The Order Of Revocation And A Certificate Of Permit To Sell Securities
November 20, 2013	PDEX Approval For The Listing Of The 7-Year & 10-Year Fixed Rate Bonds
November 28, 2013	Submission Of Bid Documents To Dotc
December 5, 2013	Appointment Of Mia Zamora
December 13, 2013	Purchases Of 3,766,820 AP Shares
December 13, 2013	Purchases Of 80,000 UBP Shares
December 23, 2013	Purchases Of 2,103,242 UBP Shares
January 24, 2014	Joint Venture Agreement With Aboitizland And Ayala Land, Inc.
February 3, 2014	Appointment Of Raymund Jay S. Gomez
February 12, 2014	Sale Of Abojeb Shares
February 21, 2014	Complete Acquisition Of Lima Land, Inc.
February 28, 2014	Final List Of Candidates For The Board Of Directors
March 11, 2014	Matters Approved By The Board
March 11, 2014	Full Year Financial And Operating Results
March 11, 2014	Appointment Of Nikoline Felding
March 27, 2014	Matter Approved By The Board