

DRIVING A CULTURE OF VALUES

ANNUAL REPORT 2018



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Driving a Culture of Values

About the Theme

The Aboitiz Group's rich history spanning over a century is characterized by one constant: commitment to values. This legacy of values from our forefathers has been honed over generations since the Group's humble beginnings selling abaca in Ormoc, Leyte.

Today, as one of the major conglomerates in the Philippines, these values – integrity, teamwork, innovation, and responsibility – continue to be the anchors of our culture. These are what permeate the entire organization, driving us to brave new horizons in pursuit of our business goals, to contribute to nation building, and to be a responsible corporate citizen.

Our culture keeps us centered, steady, and determined to achieve our purpose and to deliver on our brand promise to drive change for a better world by advancing business and communities.

Driving a culture of values is what matters most to us. It is how we grow our businesses and how we improve lives in our communities. Our values have molded us into who we are today, and these will continue to drive the Aboitiz Group well into the next century.

About the Cover

The fingerprint artwork in our cover represents how the Aboitiz values of integrity, teamwork, innovation, and responsibility are embedded in our DNA.

- The heart symbolizes integrity. We deliver on what we promise and we take everything that matters to heart.
- Two hands holding each other represent teamwork. We, as a whole Group, are greater than the sum of our parts. By working together, we create greater value.
- The hand holding a lightbulb symbolizes innovation. We constantly look for better ways to provide efficient systems, quality services, and innovative products.
- The leaf symbolizes responsibility. We commit to a sustainable enterprise through our triple bottomline approach: focusing on people, planet, and profit.
- Varied colors symbolize our Group's diversity, not only in the types of businesses, services and products, but also in our locations of operations across the Philippines and beyond our borders.

Together, the elements make a vibrant fingerprint, showing that it is our values that make us truly Aboitiz.

About the Report

We are pleased to present to you the 2018 Aboitiz Consolidated Annual and Sustainability Report, with the theme Driving a Culture of Values. Like in the two previous years, we are using the integrated format to corporate reporting, consolidating the reports of Aboitiz Equity Ventures, Inc., Aboitiz Power Corporation, and Aboitiz Group Sustainability. It is a format that underscores our commitment to holistic and transparent reporting of our business performance and its impact on our stakeholders and society at large.

Scope 102-45, 102-49, 102-50, 102-52

This report documents the Aboitiz Group's initiatives and activities for people, planet, and profit, anchored on our Group purpose and brand promise "to drive change for a better world by advancing business and communities." We share with you the progress we made in 2018 in our areas of focus: team member engagement and development, corporate social responsibility, customer focus, disaster resilience, carbon emissions reduction, resource efficiency, renewable energy, waste management, financial growth, and financial returns.

We worked closely with the sustainability stewards of the Group's various business units across the country using a standardized data collection, monitoring, and processing system. The business units covered in this report are:

Power

Aboitiz Power Corporation (AboitizPower)

- Hedcor Group
- SN Aboitiz Power Group
- San Carlos Sun Power, Inc. (SacaSun)
- Therma South, Inc. (TSI)
- Therma Marine, Inc. (TMI)
- Therma Mobile, Inc. (TMO)
- Cebu Private Power Corporation (CPPC)
- East Asia Utilities Corporation (EAUC)
- Davao Light and Power Company, Inc. (Davao Light)
- Cotabato Light and Power Company (Cotabato Light)
- Visayan Electric Company, Inc. (VECO)
- Subic EnerZone Corporation (SEZ)
- Mactan EnerZone Corporation (MEZ)

- Balamban EnerZone Corporation (BEZ)
- LiMA EnerZone Corporation (LEZ)

Banking and Financial Services

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

Food

- Pilmico Foods Corporation (Pilmico)
- Pilmico Animal Nutrition Corporation (PANC)
- Gold Coin Management Holdings Ltd. (Gold Coin)*

Infrastructure

- Aboitiz InfraCapital, Inc. (Aboitiz InfraCapital)
- Republic Cement and Building Materials, Inc. (RCBM)*
 - Apo Agua Infraestructura, Inc. (Apo Agua)

Land

- Aboitiz Land, Inc. (AboitizLand)
- LiMA Land, Inc. (LiMA Land)

Corporate Social Responsibility

- Aboitiz Foundation, Inc. (Aboitiz Foundation)
- WeatherPhilippines Foundation, Inc. (WeatherPhilippines)

Social Enterprise

- Weather Solutions, Inc. (Weather Solutions)*

Global Reporting Initiative (GRI) Standards and UN SDG Alignment ¹⁰²⁻⁵⁴

This report has been prepared in accordance with GRI Standards: Core option. We provide a summary of how we developed this report, as well as indexes to help readers locate specific information about our policies, programs, and performance. These reporting elements aim to provide a level of comfort among our stakeholders that our information is timely, accurate, reliable, and complete.

Our key performance indicators are aligned with the United Nations Sustainable Development Goals. This indicates our commitment to contribute solutions to poverty reduction, education, climate change, responsible consumption, disaster preparedness, technological innovation, and institutional partnering to achieve these goals.

Materiality ^{102-45, 102-46}

Materiality, as defined by the GRI reporting framework, includes topics and indicators that reflect the Group's significant economic, environmental, and social impacts, or those that would substantially influence the assessments and decisions of our stakeholders.

Our process involved an internal analysis of the importance of a broad list of sustainability issues related to our core businesses of power, banking and financial services, food, infrastructure, land, and our corporate foundations.

At the parent company level, we integrated the common material issues that are within the medium-term horizon of our reporting parameters. We used our stakeholder dialogues and company-wide feedback channels to inform the selection of these material issues, which were discussed and approved by the Group Mancom as part of the focus areas of our BetterWorld Sustainability Framework.

Restatements and Improvements ^{102-48, 102-49}

We gathered data for this report using the robust systems and tools currently in place among our participating business units. We remain focused on the continuous improvement of our data collection and analysis processes. Notes on the restatements of key performance indicators are found in the appendix section and in pages where they appear.

Our ABC stories

With our stories, you will learn more about how we are delivering on our brand promise of advancing business and communities (ABC). Following our three-year ABC roadmap, we will regularly report on our performance through stories told by our stakeholders, culminating in 2020 when we celebrate the centennial anniversary of our parent company Aboitiz & Company.

As part of enriching our ABC narrative, we invite you to share your feedback on this year's Consolidated Annual and Sustainability Report. We welcome your contributions and we thank you for your engagement in the sustainability of our enterprise.

**The business unit is not included in the presentation of quantitative sustainability data.*

Our Businesses

102-2, 102-4, 102-6, 102-7

Aboitiz Equity Ventures, Inc.

(PSE: AEV)

is the public holding company of the Aboitiz Group with major investments in power, banking and financial services, food, infrastructure, and land.

Today, it is recognized as one of the best-managed companies in the Philippines and in the ASEAN region, consistently cited for its commitment to good corporate governance and corporate social responsibility. With five generations of Aboitiz Group business success behind it, AEV continues to drive change for a better world by advancing business and communities.

POWER



Aboitiz Power Corporation (PSE: AP) is a vertically integrated company engaged in power generation, distribution, and retail electricity services. The company's Generation Group harnesses power from a right-mix portfolio of renewable (hydro, geothermal, and solar) and thermal (coal and oil) sources through 49 generation facilities across the country. Its Hydro Group is the pioneer in the development of small to medium hydroelectric plants and has been an industry leader over the past 40 years.

AboitizPower's Distribution Group is currently composed of eight utilities, including the nation's second and third largest, which supply electricity to high-growth areas in Central Luzon, Visayas, and Mindanao.

BANKING AND FINANCIAL SERVICES



Union Bank of the Philippines (PSE: UBP) is a publicly listed universal bank that distinguishes itself through superior technology, unique branch sales and service culture, and centralized backroom operations. It is consistently recognized as one of Asia's leading companies in banking and finance, and is ranked among the country's top 10 universal banks in terms of key performance ratios in profitability, liquidity, solvency, and efficiency.

City Savings Bank, Inc. is the thrift bank subsidiary of UnionBank that creates shared value through its portfolio of products that target the underserved market. It has embarked on an expansion program that acquires rural banks engaged in microfinance loans. In 2018, the bank acquired FairBank and PR Savings Bank.

PETNET, Inc. has the country's largest network of Western Union agents, with over 3,200 branches composed of company-owned and sub-agent locations nationwide. Its new retail brand, Pera Hub, is geared towards providing complementary products, cash, and payment-related solutions to its growing market.

FOOD



Pilmico Foods Corporation is AEV's integrated agribusiness and food company composed of four divisions – Flour, Feeds and Animal Health, Farms, and Trading. The company, which is well-positioned at the start of the food value chain, advances business and communities by providing business solutions and building partnerships for growth.

In 2018, Pilmico acquired a majority stake in Gold Coin Management Holdings Ltd., the Singapore-based livestock and aqua feed mills corporation that has a strong presence in 11 countries. After the acquisition, Pilmico is now the fourth largest feeds player based in Southeast Asia.

Aboitiz InfraCapital, Inc. undertakes all infrastructure and infrastructure-related investments of the Aboitiz Group. It is poised to take advantage of the Philippines' growth momentum and the government's commitment to further bolster advancement by building the right infrastructure that will advance business and communities.

The Republic Cement Group, AEV's partnership with CRH plc, is the country's second largest local cement manufacturing and distribution company. It operates seven facilities across Luzon, Visayas, and Mindanao, allowing the business to offer the widest supply footprint to serve the needs of a rapidly developing economy.

Apo Agua Infraestructura, Inc., LiMA Water Corporation, and Balibago Waterworks System, Inc. provide innovative solutions to water and wastewater-related services to residential, commercial, and industrial customers. These projects are key to achieving Aboitiz InfraCapital's goal to build franchises across the entire water value chain.

INFRASTRUCTURE



Aboitiz Land, Inc. has been developing residential, commercial, and industrial communities for more than 20 years. Starting off as ACOLand in Cebu in 1994, it is today a trusted real estate developer because of its pioneering concepts.

The Land Group began its push towards national expansion in 2014 by acquiring LiMA Technology Center in Batangas. Since then, it has launched several residential communities throughout Luzon, including Seafront Residences, Ajoya Cabanatuan, and Ajoya Capas. Most recently, it opened The Outlets at Lipa, its first commercial community outside of Cebu, and the country's largest outlet shopping destination.

Today, AboitizLand is geared towards growth in all of its business units, driven to develop innovative, deliberately planned, and purposely designed communities anchored on its promise of creating better ways to live.

LAND



Aboitiz Foundation, Inc., the corporate foundation of the Aboitiz Group established in 1988, implements corporate social responsibility interventions focused on education, enterprise development, and environment in communities where Aboitiz companies operate.

WeatherPhilippines Foundation, Inc., which provides the country with a premier weather sensing and forecasting system, was established by the Aboitiz Foundation and UnionBank in 2012. Its services complement the government's nationwide efforts on disaster risk reduction.

Weather Solutions, Inc., the first weather-centric social enterprise of the Aboitiz Group, is also the first of its kind in the Philippines. It offers available historical and real-time weather data, forecasting, and consultancy to organizations across various industries. Harnessing WeatherPhilippines' automated weather stations installed across the country, Weather Solutions will provide long-term support to its #WeatherWiser Nation advocacy by addressing the weather needs and filling in the information gaps of business and communities.

CSR AND SOCIAL ENTERPRISE



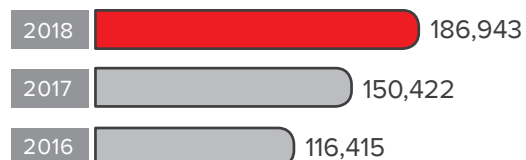
Financials

HIGHLIGHTS

Aboitiz Equity Ventures, Inc.

(in PHP millions)

Revenues



EBITDA



Net Income to Equity Holders of the Parent



Core Net Income



Cash Dividend Paid to Common



Cash and Cash Equivalents



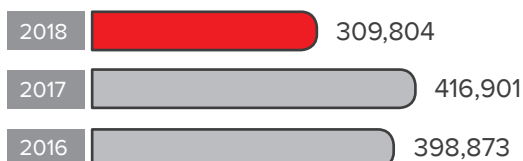
Total Assets



Equity Attributable to Equity Holders of the Parent



Market Capitalization



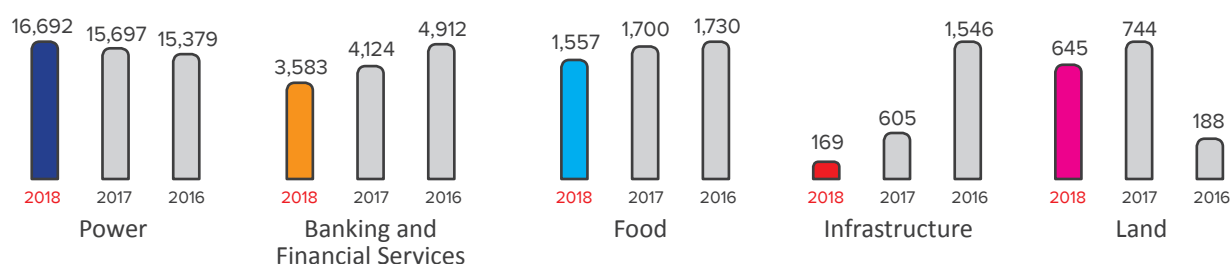
SUMMARY

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

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

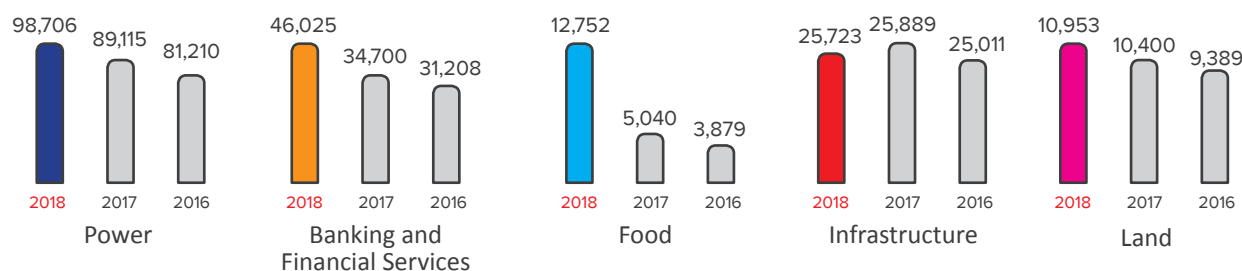
Income Contribution Breakdown

Per Business Segment (in PHP millions)



Equity Investment Breakdown

Per Business Segment (in PHP millions)



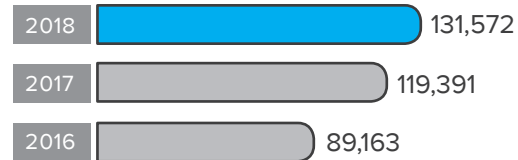
Financials

HIGHLIGHTS

Aboitiz Power Corporation

(in PHP millions)

Revenues



EBITDA



Net Income to Equity Holders of the Parent*



Core Net Income



Cash Dividend Paid to Common



Cash and Cash Equivalents



Total Assets



Equity Attributable to Equity Holders of the Parent



Market Capitalization



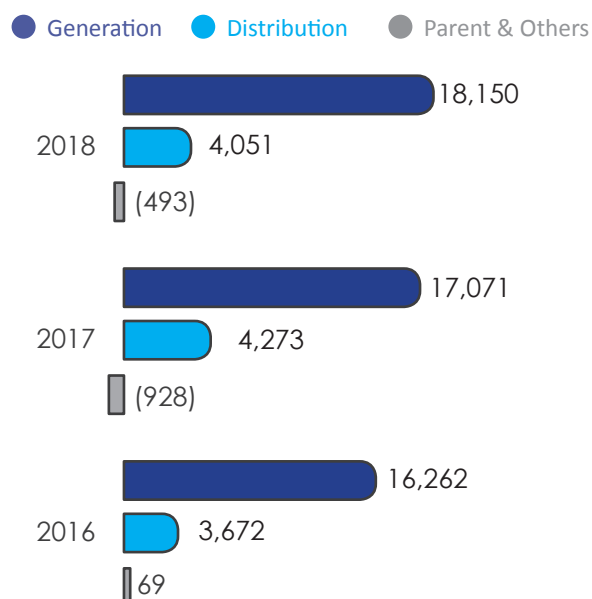
*AboitizPower

SUMMARY

(in PHP millions)	2016	2017	2018	% Change (2018 vs. 2017)
INCOME STATEMENT				
Operating revenues	89,163	119,391	131,572	10%
Operating expenses	62,853	85,218	95,075	12%
Operating profit	26,310	34,174	36,497	7%
Share in net earnings of associates and joint ventures	3,641	4,698	4,357	-7%
Other income (charges)	(4,951)	(12,025)	(12,494)	4%
Income before income tax	25,000	26,847	28,359	6%
Provision for income tax	3,496	3,858	2,926	-24%
Net income before non-controlling interests	21,504	22,988	25,434	11%
Net income attributable to non-controlling interests	(1,502)	(2,572)	(3,726)	45%
Net income attributable to equity holders of the parent	20,003	20,416	21,708	6%
EBITDA	38,086	47,650	51,491	8%
FINANCIAL CONDITION				
Total assets	357,007	361,477	389,662	8%
Total liabilities	244,798	237,499	253,086	7%
Non-controlling interests	7,095	8,582	8,864	3%
Equity attributable to equity holders of the parent	105,114	115,396	127,713	11%
RATIOS				
Per Share (Pesos)				
Earnings	2.72	2.77	2.95	
Book Value	14.28	15.68	17.36	
Cash dividend to common	1.66	1.36	1.39	
Return on equity	23%	21%	20%	
Current ratio	2.25	1.38	1.89	
Debt/Equity	2.18	1.92	1.85	
Net debt/Equity	1.49	1.35	1.21	

Income Contribution Breakdown

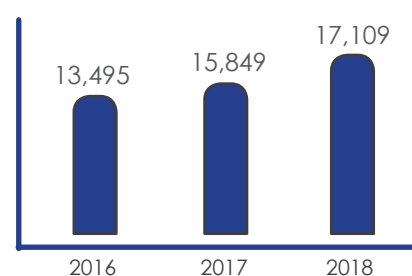
Per Business Segment (in PHP millions)



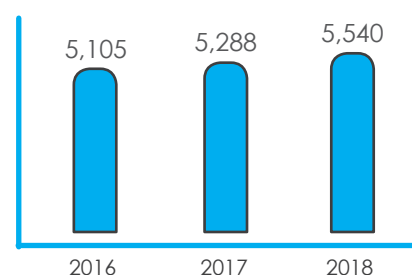
Attributable Power Sales

(in GWh)

Generation



Distribution



Aboitiz BetterWorld

We continue to make headway in our sustainability journey in 2018. This is reflected in the performance highlights of our triple bottom line.

People

Goal: Partner with our stakeholders to create shared value



35,035 TMs

2017 : 30,815 TMs

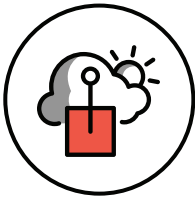
14% increase in team members (TMs) employed groupwide



72,346 hrs

2017 : 72,168 hrs

TM volunteered hours



756 AWS

2017 : 717 AWS

5% increase in installed* automated weather stations (AWS)

**Previously reported as deployed*



998,646 beneficiaries

2017 : 651,766 beneficiaries

53% increase in direct and group beneficiaries



1,901 individuals

2017 : 1,772 individuals

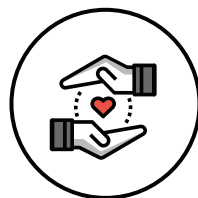
7% increase in no. of individuals who participated in capacity-building training



PHP419 million

2017 : PHP456 million

8% decrease in CSR fund allocation



1,827 CSR projects

2017: 1,863 projects

2% decrease in CSR Projects

Planet

Goal: Minimize our environmental impact



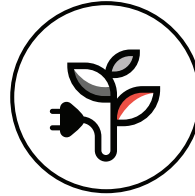
6.6 million trees

2017 : 5.7 M trees

73% of the 9 million trees 2020 target

10.6 million trees planted inclusive of RAFI's* contribution

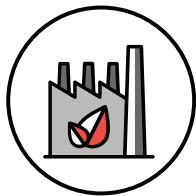
*Ramon Aboitiz Foundation, Inc.



0.37

2017 : 0.39

Carbon Productivity (PHP million revenue/tCO2e)



1,294 MW

2017 : 1,263 MW

renewable energy (Cleanergy) net sellable capacity



42 tons

2017 : 32 tons

31% increase of waste material recycled

Profit

Goal: Grow profitably



PHP22.2 billion

2017 : PHP21.6 B

3% increase from previous year's Net Income After Tax



14.9%

2017 : 16%

7% decrease from previous year's ROE



PHP60.7 billion

2017 : PHP57.0 B

7% increase from previous year's EBITDA



2% (5 years)

2017 : 9% (5 years)

Total Return to Shareholder per year compounded annually

Chairmen's Message

102-14



Dear Fellow Stakeholders,

We celebrate the life of Jon Aboitiz. He contributed to change in both the Aboitiz Group and the Republic of the Philippines for half a century. That is a long time and he had a profound influence on change. Nothing mattered more to Jon than our name and our reputation. He spent a lifetime enhancing it. In gratitude for our good fortune, helping those in need was at the center of his activities.

Change and succession are where most enterprises slip. It is where Aboitiz has excelled so far in its 200-year existence in these islands.

We have been here 200 years — originally as Yrastorzas and 150 years as Aboitizes. Our business as Yrastorzas existed and flourished while trade between China and Spain grew on the back of the galleon trade. We enjoyed the industrialization of the Philippines after the Suez Canal was opened. We experienced the sale of our islands to the Americans after Spain initiated the change in our culture from simplicity to both Latin and Catholic. We moved from 400 years in the convent to 100 years in Hollywood. We almost went bankrupt in 1929 as a result of the Great Depression.

As the world around us changed, our culture kept adapting. The Marcos years came and drove the Philippine diaspora movement. That changed and is changing our culture again. Our democracy has returned. It functions chaotically, but it works. Now we face the influence of China on us and on the world as Chinese visitors and investment come at us at a rate we are not ready for but will have to adapt to. All this can mean a more enriched culture and economic atmosphere. As one imports richness from openness and trade, it also imports more disagreeable elements of those societies and those cultures. We need to be conscious of this reality.

The Aboitiz Group has gone through multiple transitions during these 200 years; all smoothly and as one. We will do this again as Montxu hands over the reins of the Group to Sabin.

The premise that we assume of the world we live in today is as follows:

Attention and engagement are our single most substantial assets while unintended consequences are our single most significant threats. We do not even know what they will be!

So how do we combat that?

Our most valuable people are those who are engaged totally and have their antennas tuned in 24 x 60 x 60 x 7, i.e., engagement and attention.

In addition to the basic tenets of leadership grounded on intelligence, emotional stability, and diligence-cum-discipline, our management team has to have the competence, the endurance, and the ability to handle the threat of any unintended consequence that may arise, aside from the obvious risks of the day. As unintended consequences are our greatest threats, reactive regulation that is slowing down economic activity is high on the list of financial risks.

Our Management needs and will get the support and guidance of a Board and individual Board members who are continually learning to remain evergreen through dynamism and with everyone working together. This is to assess what may be coming around the corner and the strategy to thrive no matter, i.e. an engaged and attentive Board.

You, our shareholders, have that.

As best that one can see, there are three movements in front of us that we are watching closely.



The entire world is moving from its post-World War II rules-based economic and political environment led by the United States. China

entered this economic world under these rules. It wants to change those rules to their standards and, as a result, an increasingly non-rules environment is developing. We will probably benefit from this environment because we function in a non-rules-based world. Chinese tourism and investment will change us. If for the better or for the worse will depend on how we react to this introduction of both Chinese travel and finance. I will leave that for you to assess.



Aboitiz team leaders were encouraged to foster a culture of innovation in the workplace to ensure the relevance of the Aboitiz brand in this fast-paced, volatile, unstable, complex and ambiguous landscape during the Aboitiz Leaders Conference 2019. This mindset of creativity and innovation will future-proof Aboitiz's businesses and enable employees to stretch their capabilities and skills.

In addition to a change in rules, we see that there will be a change in the tools that are used by all actors playing in the game called the world. In this milieu, we have a society addicted to debt to fuel growth. We know the consequences of debt gone astray. The world has seen this all too often. What tools governments and central banks develop to manage an increasingly debt-addicted world, cyber battles, and new asymmetric tools of competition will need constant attention and engagement in this 24 x 60 x 60 x 7 planet that is being pulled by tensions from all directions.

The year 2019 also signals the move away from unconventional monetary policy and its unintended consequences. The cost of money is heading towards new normality or a new reality. Will it reach it? Does anyone remember how to assess risk in normal interest environments? A decade has passed and a new set of people are in place worldwide. They are new at it.

In the course of doing business, your company is exposed to financial risks that, if left unaddressed, would put constraints on our growth plans. We take action by regularly monitoring our cash position, issuing retail bonds, maintaining good relations with the banking community, and strengthening financial risk management across the Group.



Our highest possible employer and poverty reducer is tourism. We are a set of islands. Tourists cannot come and visit our entire country without airports, roads, hotels, and restaurants.

The infrastructure promise of our present government will probably happen. It will not occur at the speed that was promised, but it will happen. Two connector roads will help traffic bypass Manila and connect two airports en route. The Cavite-Laguna Expressway, the upgrading of Ninoy Aquino International Airport, a functioning and larger terminal at Clark, a Manila subway, and many other promises that to some extent or another will happen.

We need to support tourism that will help diversify development throughout our country. The positive developments on the Group's airport project proposals

“

Our Group has gone through multiple transitions during these 200 years; all smoothly and as one. We will do this again as Montxu hands over the reins of the Aboitiz Group to Sabin.

”

“

We at Aboitiz are continually building a team that is both attentive and engaged, in this 24 x 60 x 60 x 7 world. We see these as the two most substantial assets that can combat a world charged with unintended consequences.

”

to government give us the confidence to develop infrastructure to make tourism easier.

The need is there, and the money is there to pay for the infrastructure. This will change us because it will accelerate the purchasing power of Filipino consumers and double the size of our economy to the USD600 billion range over the next 8 to 10 years and to the USD1 trillion range over the next 20 years. We can double the size of our economy twice in the next two decades. In straightforward terms, the death of poverty in our economy is in our reach. It is dependent on how fast we build the infrastructure we need.

Tourism comes in three waves. First, people come to our country and fall in love with it. Then they build a second home. Finally, they retire here. Everybody benefits from tourism.



The risks of the world will move, or have already moved, from the physical danger of war among countries to increasing debt everywhere and to cyber threats. We, as an economy, have traditionally been insulated and isolated. These levels of defense, isolation, and insulation, will change as we join the world to increase economic activity.

Our debt levels as a nation are low but rising as our deficits increase. Government is still a small portion of our GDP, which is a strength. We are maximizing the private sector to aid in our development. There is a risk that this changes over time. Much of the government deficits will be wasted. Due to the combination of both private and public sector investments in our economy, the waste and misallocation of capital will hopefully be tapered. We will watch how this evolves.

Debts rise with infrastructure investments. The extent to which these investments yield returns to the economy makes the world of difference to the increasing debt risks. If, with debt, you borrow to buy a house, save rent as you build value in your home, then your obligation is productive. If you overpay for your house, then your debt is less productive and puts you at higher risk.



Using first class technologies, the IT security team ensures that systems, infrastructure, and information are protected from any cyberattacks across the group.

Where we are probably more vulnerable is in the cyber area. Protection in this realm requires discipline and diligence, which are not two of our best qualities. Governments and businesses are challenged by the talent gap between the good guys and the bad guys of the cyber world. For now, the bad guys are ahead in this talent battle. We are particularly vulnerable as our government is particularly unequipped in this realm.

In light of the risk and potential consequences of cyber events, your company's management team sets the tone by actively and visibly supporting ways to strengthen network security and resilience. There is a need to understand and analyze further what our key vulnerabilities to cyber risks are while we put a strategy in place for each type of information security risk. We are working on achieving an information security risk-aware culture to further strengthen prevention, detection, and comprehensive response to keep pace with the growing cyber security threat landscape.

We at Aboitiz are continually building a team that is both attentive and engaged in this 24 x 60 x 60 x 7 world. We see these as

the two most substantial assets that can combat a world charged with unintended consequences.

We thank all of the people and institutions that we work with to create value for you, our shareholders, our stakeholders, and our economy.

We leave you with the comfort that your business is in the hands of men and women dedicated to the stewardship and the growth of your company.

Sincerely yours,

Enrique M. Aboitiz
Chairman of the Board
Aboitiz Equity Ventures, Inc.

Mikel A. Aboitiz
Chairman of the Board
Aboitiz Power Corporation

CEO's Message

102-14



Dear Fellow Stakeholders,

The Aboitiz Group's own growth story is a testament to creating a balance between retaining the best of our successful past and making the necessary adjustments in what we do and how we do things to remain relevant. This course of action has served us well; it is therefore important for us to continually seek and understand the variables we face in order to thrive in a world of volatility, uncertainty, complexity, and ambiguity. We need to manage uncertainties and turn these into opportunities to support our strategic objectives towards creating long-term value for all our stakeholders.

From investing to meet infrastructure demand, to providing innovative solutions to empower small businesses, we continue to leverage our capabilities to drive change for a better world by advancing business and communities. We anchor our actions and decisions on the time-honored values that characterize the Aboitiz Way, the critical element and secret sauce to our organization's success over the last 100 years.

As a country, the Philippines is in a sweet spot in our economic cycle, expanding 6.2% in GDP growth in 2018 and firmly among the best-performing in Asia. We are well-positioned to reap the benefits of this demographic dividend and to take advantage of opportunities to evolve and expand beyond our borders as we deepen our role in building a better future for communities. Grounded on this, your company is pleased to report on the results of the past year's activities, milestones, and major business developments across our power, banking and financial services, food, infrastructure, and land strategic business units.

Business Performance Review

We remain confident about the long-term prospects of our businesses in fueling our country's economic growth, which, in return, generates greater demand for our products and services. Our Aboitiz core values of integrity, teamwork, innovation, and responsibility — embodied by over 35,000 A-People across the organization — play a central role in our ability to deliver on our strategic growth objectives and to strengthen our foundations in support of nation-building.

For full-year 2018, Aboitiz Equity Ventures (AEV) posted a net income of PHP22.2 billion, up by 3% from PHP21.6 billion recorded in 2017. Our Power Strategic Business Unit (SBU) accounted for 73% of the total income contributions from all AEV's SBUs. The Banking and Financial Services, Food, Land, and Infrastructure SBUs, respectively, contributed 16%, 7%, 3%, and 1% of total income during 2018.

Power Group

Aboitiz Power Corporation's (AboitizPower) net income contribution to AEV for 2018 increased by 6% YoY to PHP16.7 billion from the previous year's PHP15.7 billion. Fresh contributions from Pagbilao Energy Corporation and Hedcor Bukidnon, Inc. for the generation business, as well as an increase in consumption levels across all customer segments for the distribution business, accounted for the growth in profits.

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Our Aboitiz core values of integrity, teamwork, innovation, and responsibility — embodied by over 35,000 A-People across the organization — play a central role in our ability to deliver on our strategic growth objectives and to strengthen our foundations in support of nation-building.

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Being one of the fastest growing economies in the world, the Philippines will continue to increase its requirement for ample and competitively-priced electricity. As such, we need to make sure AboitizPower has enough capacity today and in the medium-term to address long-term demands. We are well-positioned to responsibly provide the country with reliable power at a reasonable cost. With our power generation group increasing its stake in GNPowr’s strategic assets in Luzon, we are on track to exceed our 4,000-megawatt (MW) net attributable target by 2020.

AboitizPower is the country’s second largest renewable company, the largest renewable power player in the Open Access market, and is the pioneer in run-of-river hydro as an energy source. Leveraging our expertise in this area, we are building up products and services under our Cleanergy brand. We also launched our rooftop solar venture AboitizPower Distributed Energy, Inc. (APX) in April 2018, providing our customers the option to self-generate their energy needs. Several key projects in Luzon and Visayas were completed in 2018 and we aim to eventually integrate these closely with the group’s existing Open Access customers.

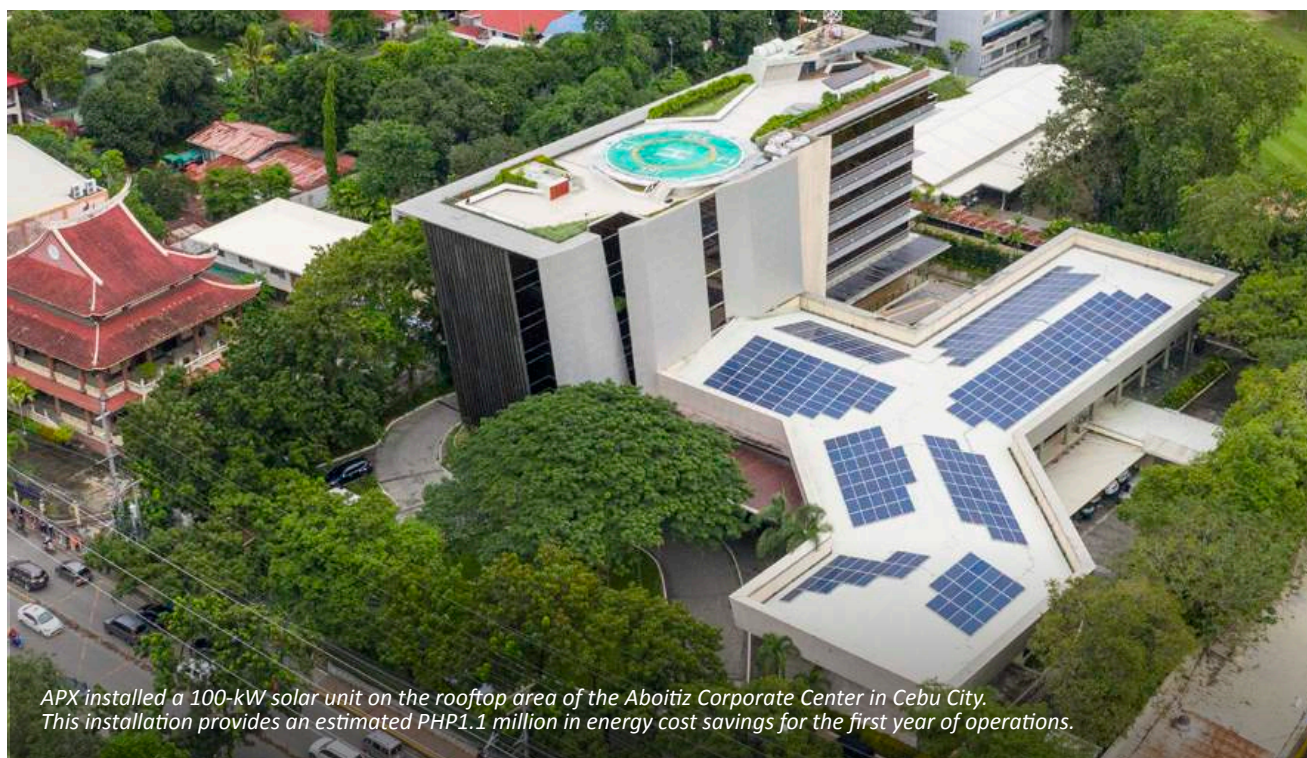
We will continue to expand our generation portfolio of multi-fuel technology in our goal to drive down cost and improve efficiencies. Furthermore, we will continually explore both onshore and offshore acquisition opportunities where it makes sense.

Banking and Financial Services Group

UnionBank’s income contribution to AEV for 2018 declined 13% to PHP3.6 billion, from PHP4.1 billion in 2017. The decline was driven by the lower net earnings of CitySavings attributable to lower loan releases to teachers.

UnionBank demonstrates a strong advocacy of harnessing new and emerging technologies to create more opportunities towards greater financial inclusion for all Filipinos. In particular, we are expanding our core business model, capitalizing on digital platforms and tools to reach a wide segment that is served primarily by several fragmented institutions with traditional brick-and-mortar and face-to-face delivery.

UnionBank’s Project i2i, launched in 2018, is a pioneering blockchain initiative that connects rural banks to the country’s main financial network. It runs on ConsenSys’ Kaleido platform that is designed to speed up and simplify the process of using blockchain technology, thereby promoting greater financial inclusion.



Through UnionBank GlobalLinker, we help micro, small, and medium enterprises (MSMEs) grow and manage their businesses with a free and innovative digital platform that provides efficient business management and market expansion.

By investing in products such as the UnionBank mobile app, The Ark, and other initiatives delivering 24 x 7 services, the bank is evolving into a technology company with embedded banking services.

UnionBank also completed its acquisition of the majority stake of PETNET, which consolidates our banking and financial services group and is expected to generate increased shareholder value from greater synergies between the core businesses of CitySavings and PETNET.

Food Group

AEV's non-listed food subsidiaries reported a net income of PHP1.6 billion for 2018, an 8% decrease from the PHP1.7 billion recorded in 2017. This was due mostly to year-over-year declines from Feeds Philippines, which faced

higher raw materials costs, and from Farms, which incurred lower asset revaluation gains. These decreases more than offset the fresh income contribution of Gold Coin Management Holdings Limited (Gold Coin).

As part of our overseas expansion strategy, Pilmico acquired a majority stake in Gold Coin, one of Asia's largest privately owned agribusiness corporations. This has expanded our customer base by growing our footprint to become the 4th largest animal feed manufacturer in the ASEAN region. Likewise, the Group now has a foothold in this market of over 500 million and a natural listening post for expansion opportunities.

The acquisition also serves as a platform towards achieving our strategy to grow Pilmico's core feed milling business across Asia, adding 3 million metric tons of volume that quadruples its overall feeds production capacity. We look forward to greater synergies between Pilmico and Gold Coin in 2019, starting with distribution, localized operations, cross-selling, research and development, raw materials, and logistics costs.

Infrastructure Group

Republic Cement and Building Materials, Inc.'s income contribution to AEV in 2018 amounted to PHP213 million, 68% lower than the PHP671 million reported in 2017. This was mainly due to significantly higher fuel and power costs, which offset the improvement in sales volume and prices attributable to government infrastructure spending and stable private sector demand.

At the forefront of the Group's initiatives to support the government's 'Build, Build, Build' program is Aboitiz InfraCapital. Through our infrastructure business, we partnered with the country's largest conglomerates to form a consortium and submit an unsolicited proposal to upgrade the Ninoy Aquino International Airport (NAIA). Together, we envision transforming the country's main gateway into a regional airport hub and build up its capacity to meet the continued growth in passenger traffic and complement overall passenger experience.

Aboitiz InfraCapital also submitted unsolicited proposals for the operations and maintenance of the Bohol-Panglao International Airport and

to upgrade, expand, operate, and maintain the Laguindingan Airport in Misamis Oriental.

We are pleased to report that we have received Original Proponent Status for the NAIA, Bohol-Panglao International Airport, and Laguindingan Airport projects. Currently, we are taking all the necessary steps to ensure proper legal processes are followed as we work towards bringing these projects to life. These proposals reflect our firm belief that sustainable airport facilities will support the tremendous economic and tourism potential of the country's regions and provinces.

In November, following completion of engineering and design works, Apo Agua Infraestructura, Inc. held a ceremonial construction kick-off for the Davao City Bulk Water Supply Project. The project, our joint venture with J.V. Angeles Construction Corporation, will undergo a three-year construction phase and we target to start operations by the first half of 2021. Once operational, the facility will supply the Davao City Water District with over 300 million liters per day of safe water. We look forward to



Aboitiz InfraCapital President and CEO Sabin Aboitiz joins Philippine President Rodrigo Duterte as the latter signed a blueprint of the Apo Agua bulk water supply project, which was among the contents of the time capsule that was lowered during the Davao City Bulk Water Supply Project construction kick-off ceremony.

going full swing with the project construction in 2019 and will continue to work closely with the government towards the facility's full operation.

The increase in cement demand in the Philippines has been driven primarily by the acceleration in the government's construction projects, coupled with stable demand from residential and non-residential sectors. We have also seen a slight improvement in cement prices and the market remains competitive even with more imported cement brought in by traders and higher input costs affecting net results. In all this, Republic Cement remains committed to building capacity for the country's long-term cement requirements and upgrading facilities to ensure the building of best-in-class plants.

Land Group

AboitizLand and its subsidiaries reported a consolidated net income of PHP645 million in 2018, 13% lower than the PHP744 million recorded in 2017. This decrease was due to the absence of fair valuation gains on investment properties during 2018.

As AboitizLand expands outside Cebu and Metro Manila, we are capitalizing on the growing provincial house-and-lot mid-market to develop commercial spaces that complement our residential and industrial communities, as well as to grow our well-performing industrial business. We seek to build up our recurring income by focusing on opportunities around our current developments.

We are optimistic that our residential numbers will begin to pick up following the launch of back-to-back projects in Central Luzon — Ajoya Cabanatuan and Ajoya Capas — and the increased progress in construction of our Seafront Residences project in San Juan, Batangas and Amoa in Cebu. The launch of The Outlets at Lipa was the highlight of our commercial business and we look forward to offering our vecinos in Luzon with a new lifestyle destination. Our industrial business continues its stellar performance since we completed the acquisition of LiMA Land.

Continuing the ABC Challenge

In 2018, Aboitiz Foundation stepped up its integrated, inclusive, holistic, and solution-focused approach to co-creating safe, empowered, and sustainable communities and aligning our initiatives with the United Nations' Sustainable Development Goals. We continue to scale-up our projects towards CSR 2.0 while ensuring that they align with the Group's core competencies and CSR program pillars, are scalable

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We bear in mind that the challenges of tomorrow cannot be solved with the methods, knowledge, assumptions, and understanding of yesterday. Future-proofing our organization begins with our leaders.

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nationwide, encourage team member engagement, and deliver long-term benefits to communities and beneficiaries we serve.

As part of our celebration to mark the Aboitiz Foundation's 30th anniversary, we held the Aboitiz Advancing Business and Communities (ABC) Summit to share with our partners and stakeholders how the Group is creating value through innovation and integration strategies. The event also served as a venue to launch two digital initiatives that represent the Foundation's own digital journey: KINDer, our crowdfunding platform, and the WeatherPH mobile application.

KINDER is our way of bridging the gap between various social causes and those who want to support them through a more convenient way of donating. The WeatherPH mobile application provides a 7-day accurate and localized weather forecast while incorporating crowd-sourced content as a key component of the user experience. Both of these initiatives represent the potential of capitalizing on the people and technology connection towards advancing business and communities in the digital space.

We had the privilege of bringing the ABC message to Marawi in support of the government's efforts to help the once bustling capital of Lanao Del Sur get back on its feet. In keeping with the Aboitiz core value of responsibility, we launched a series of sustainable livelihood initiatives to assist Maranaos rebuild their lives. We introduced programs that will create a significant positive impact on the lives of displaced citizens.

Driving a Culture of Values

We are proud stewards of the Aboitiz Way, grounded on values that shape the character and culture of our organization which, ultimately, bring about business results. We hold our leaders accountable to influence our culture, creating an atmosphere where our values come to life through what we do moment by moment without being told.

In our commitment to corporate governance, we bear in mind that the challenges of tomorrow cannot be solved with the methods, knowledge, assumptions, and understanding of yesterday. Future-proofing our organization begins with our leaders; in 2018 we set in motion a leadership restructuring for AEV and AboitizPower. We believe these updates on our organizational structure provides a clearer rationalization of roles to more effectively deliver on our strategic pillars.

In addition, we recognize that being part of a fast-changing digital world exposes us to more complex information security

risks. We have rolled out mandatory IT security initiatives and implemented our Groupwide ISMS to make it clear that information security is the responsibility of each and every team member. Amid uncertainties, we bear in mind that in risk there is opportunity, and this is how we will continue to succeed in business.

For our digital transformation journey, we take serious and relevant actions to adapt to disruptions in this digital age. Moving forward, our focus will be on transforming the capabilities of our A-People to become digitally responsive and adaptable to changes. Alongside this, we will promote an innovation mindset that overrides all roadblocks that hold back many organizations from achieving greater things.

Salamat kaayo, JRA

As 2018 drew to a close, we mourned the passing of Jon Ramon Aboitiz, our beloved Chairman of the Aboitiz Group. Beyond the many things he was to many people, Jon was a loving and genuine embodiment of the Aboitiz values. He exemplified what it meant to be a servant leader, believing that each one of us bears the responsibility of doing all we can to help others.

To us, his fellow Aboitiz team members, he will always be remembered for igniting our passion for better ways, giving us confidence to be the best at what we do, and gifting us with generous praise. We are forever grateful to have learned from and shared our time with a truly inspiring leader. Daghang salamat, Jon! You will be greatly missed.

A Season of Change

In December 2018, your Board of Directors announced the appointment of AEV Chief Operating Officer Sabin Aboitiz as our next Group President and CEO upon my retirement at the end of 2019. Over the last 32 years, Sabin has held multiple leadership positions across the Group and we have full confidence that he will lead our organization to an even more successful future. We look forward to

2020 when we will celebrate a major milestone in our corporate history – the 100th anniversary of our mother firm, Aboitiz and Company.

We also take this opportunity to thank our senior team leaders Tony Moraza, Txabi Aboitiz, Cholo Bernad, and Jaz Oporto who all have given us their invaluable contributions to the growth, development, and success of the Group over all these years. The legacy they leave behind will further fortify the Group's solid foundation that holds more promising prospects of a great future. We wish all of you the very best as you move on to the next phase of your life journey.

In 2019, we will remain focused on our long-term strategic goals while nurturing a renewed collaboration across the Aboitiz Group. We will continue to prepare ourselves for risks and opportunities behind disruptive technology and evolving business models that could affect our businesses.

To our A-People across the Group, thank you for your loyalty, commitment, and exceptional values manifested in every aspect of your life as part of the Aboitiz family.

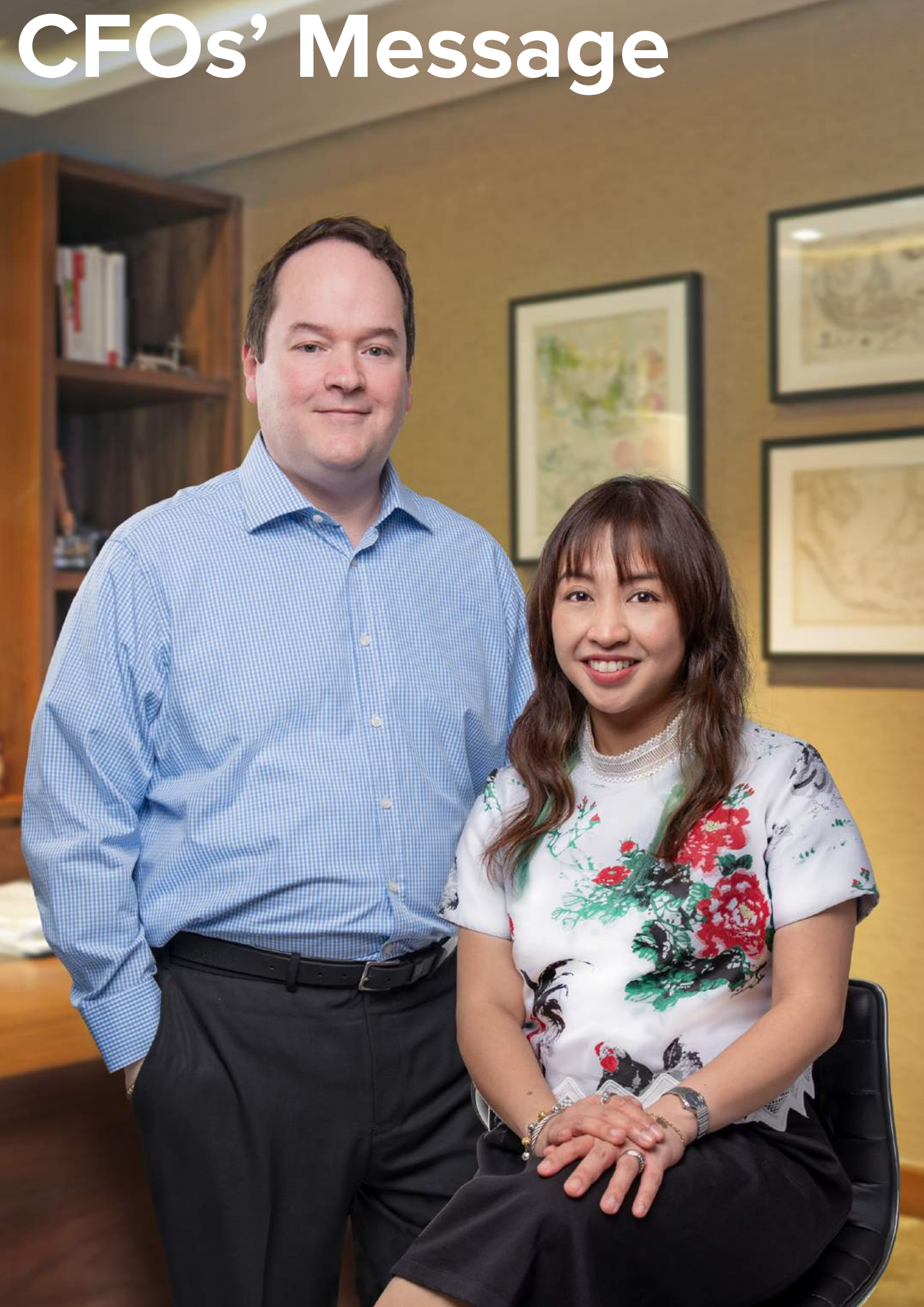
To all our valued stakeholders, we are grateful for and humbled by your continued trust and confidence in the Aboitiz Group. You inspire us to take bold and deliberate steps to further grow the Group and to help build our country, guided by values that uphold the legacy of our past and deliver on our purpose for the future.

Wishing you the very best always,



Erramon I. Aboitiz
President and Chief Executive Officer
Aboitiz Equity Ventures, Inc.
Aboitiz Power Corporation

CFOs' Message



Dear Fellow Stakeholders,

Driving a culture of values requires a conscious effort to embody integrity, teamwork, innovation and responsibility.

Delivering on our promise

Here in the Office of the CFO, integrity and responsibility mean delivering on our promise to advance business and communities by providing equity and debt providers with a safe haven for their investible funds, reasonable and continuing returns, and the opportunity to take part and share in the growth of a company who shares their values.

In 2018, Aboitiz Equity Ventures' (AEV) consolidated EBITDA (earnings before interest, taxes, depreciation and amortization) rose by 6.5% year-on-year (YoY) to PHP60.7 billion. This was primarily driven by the increase in contribution from the power strategic business unit (SBU) due to new contributions from its coal and hydro units. Beneficial EBITDA, which represents AEV's proportionate share of the EBITDAs of the companies it has investments in, remained flat at PHP48.8 billion. Taking into account increased interest and depreciation expenses from the power SBU, consolidated core net income amounted to PHP23.1 billion, a 3% decrease from the previous year. This core income resulted in an earnings per share of PHP4.10.

Over the course of the year, the power SBU recognized non-recurring losses which brought AEV's net income to PHP22.2 billion, or 3% higher YoY. This translated to a return on shareholders' equity of 15%.

At the end of 2018, AEV's consolidated cash balance stood at PHP59.0 billion. This leaves us well-equipped to tackle the opportunities in our industries.

In March 2019, the AEV Board approved a cash dividend of PHP1.32 per share on a total dividend payment of PHP7.4 billion. This accounted for 33% of 2018's consolidated net income and translated to a dividend yield of 2.3%. In comparison, the cash dividend per share approved in March 2018 was PHP1.28.

Concurrently, AboitizPower's (AP) consolidated EBITDA increased by 8% YoY to PHP51.5 billion. Beneficial EBITDA increased by 4% YoY to PHP48.6 billion. Accounting for interest, tax and depreciation expenses, consolidated core net income increased by 2% to PHP23.8 billion. This core income translated to an earnings per share of PHP3.23.

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As the group's financial performance fulfills its promise to business, its promise to communities is also delivered in the form of its share in taxes and capital investments in the communities we serve.

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Over the course of the year, AboitizPower recognized foreign exchange losses (half realized and unrealized) due to the devaluation of the peso against the US dollar and non recurring losses due to impairment costs related to the decommissioning of the Bajada power plant and sunk project costs from Redondo Peninsula Energy. These resulted in AP recording a net income of PHP21.7 billion, an increase of 6% from last year.

AboitizPower's return on equity was 20%, sustaining its performance at the 20% level for the sixth year in a row. This was a testament to the stable returns of the company's existing businesses while it continued to invest in new projects.

In March 2019, the AboitizPower Board approved a cash dividend of PHP1.47 per share, higher than the cash dividend of PHP1.39 per share paid in 2018. Total dividend payments amounted to PHP10.8 billion, 50% of 2018's consolidated net income and resulted in a dividend yield of 4.2%.

As the group's financial performance fulfilled its promise to business, its promise to communities was also delivered in the form of its share in taxes and capital investments in the communities we served.

We continued to be among the highest taxpayers. Our businesses were critical inputs to economic development in the country – energy, capital, flour, feeds, farms, housing, retail space, cement, and water. We furthered this development with continued capital investment.

Together with our partners, AEV allotted PHP81.0 billion in capital expenditure for 2019, a 65% increase from the PHP49.2 billion utilized in 2018. Of this amount, PHP50.8 billion was earmarked by AboitizPower mainly for the construction of the GNPower Dinginin power plants. Meanwhile, Aboitiz InfraCapital budgeted PHP15.8 billion mostly for the construction of Apo Agua's bulk water facilities and Republic Cement's capacity expansion efforts.

Accounting for the balance are the requirements of the other SBUs. Pilmico has allotted capital expenditures primarily for the expansion of Gold Coin. AboitizLand has allocated for its unlaunched projects in Lipa, Davao, and Pampanga, in addition to the expansion of its land bank. UnionBank will continue to invest in its digital and branch transformation initiatives.

Working together

The group has always viewed capital-raising activities as exercises in teamwork as our cross-functional teams work together under our now multi-business and multi-country setup. This synergistic effort results in the group being able to fund its growth aspirations, while simultaneously providing debt investors with an opportunity to take part in a growth story they believe in.

In 2018, AboitizPower saw the culmination of several special and major financing transactions.

AP completed a PHP10.2 billion issuance of retail bonds in the fourth quarter, the second tranche of its PHP30.0 billion retail bond shelf registration. The proceeds were used

to refinance the medium-term loan of Therma Power, to repay its short-term loan obligations, and for general corporate purposes.

In the fourth quarter, Hedcor, Inc. was able to achieve financial closing of its PHP1.8 billion project finance loan for the rehabilitation of one of its older run-of-river hydro plants, increasing capacity from 6 to 19MW.

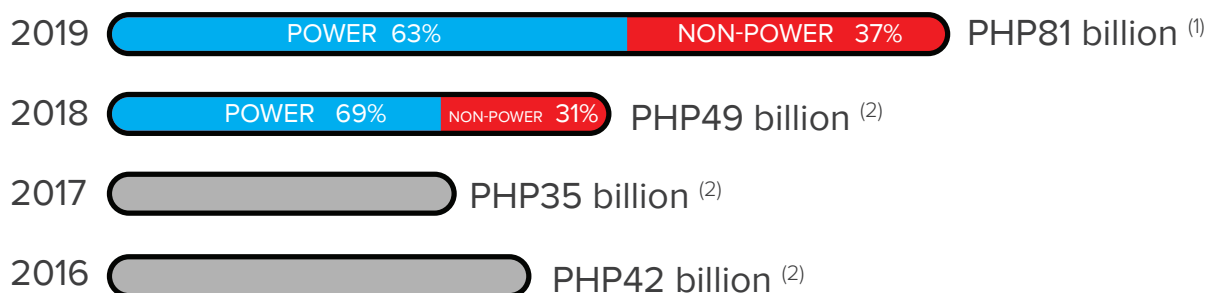
Pending settlement of conditions precedent, AboitizPower signed a mandate letter with a syndicate of international banks to fund the increase in its ownership in the GNPower Mariveles and GN Power Dinginin plants. Financial closing is expected in the first half of 2019.

From these transactions, AP's consolidated net debt-to-equity ratio stood at 1.2x at the end of 2018, compared to the previous year's ratio of 1.4x.

For AEV, the fourth quarter also saw the group close transactions in its infrastructure and food units.

AEV closed a PHP9.0 billion project finance loan for Apo Agua Infraestructura, our 300 million liters per day Davao bulk water project.

AEV Group Capital Expenditures*



1 - Budgeted figure

2 - Actual figures

*Includes 100% of subsidiaries of affiliates

Meanwhile, AEV also closed its acquisition of Gold Coin Management Holdings, a regional feed mill company. This was supported by a 5-year syndicated loan facility led by major international regional banks.

By the end of 2018, AEV's consolidated net debt-to-equity ratio stood at 1.0x, same as the previous year. As a rule of thumb, we are comfortable with an average net debt to equity ratio of about 1.5x. When opportunity presents itself, however, we are open to exceed for a short term, especially for acquisitions that are immediately or soon to be cash accretive.

The group's overall consolidated debt maturity profile remained within the parameters set by the companies to mitigate liquidity and refinancing risk. As part of our financial planning, we kept our balance sheets healthy and our capacity to raise money through the debt markets strong.

For 2019, AEV is targeting to launch a major retail bond shelf registration in the aggregate amount of up to PHP30.0 billion, similar to what AP launched in 2017. These fixed-rate peso-denominated bonds will be issued in one or more tranches depending on market conditions. This will allow the company to respond quickly to financing requirements which may arise from additional capital expenditure and investment opportunities. AEV, like AP, will also review offshore financing alternatives such as USD syndicated loans and bonds.

AP will also issue the third tranche out of the PHP30.0 billion bonds registered in 2017. AP's board of directors approved the issuance of up to PHP17.0 billion fixed-rate retail bonds and AP is expected to offer them to the general public in the second half of 2019.

Aside from our capital raising activities, our risk management culture allows us to

further practice the value of teamwork. Risk champions were appointed in every team, across businesses and soon in 11 countries, and serve as a conduit for the entire organization to stay in touch with current and emerging top risks we need to address on an enterprise basis.

In 2018, a significant portion of AEV's risk management program was dedicated to addressing business interruption exposures of the Aboitiz Group and the different ways that they can be managed more efficiently. Aside from standard perils such as fire, typhoons, and floods, AEV also recognized the exposure to man-made perils such as cyberattacks and acts of terrorism. As such, AEV engaged third parties to further assess its capabilities to manage these risks, identify gaps and suggest appropriate mitigation measures. Third party providers conducted baseline security assessments to mitigate political violence related threats. A consultant was brought in to support the implementation of ISMS in order to mitigate cyber risks and an independent auditor conducted an ISO 31000 compliance and program maturity assessment for business continuity management.

AEV also took steps to further address potential interruptions in business operations and partnered with insurance providers to conduct trainings and engineering surveys to realistically align the exposures with the best-fit insurance solutions. The Group's Total Cost of Insurable Risk (TCOIR) went down from 0.74% to 0.67%, even with the acquisitions made by the Company.

Apart from insurance, the business continuity management program also improved recovery planning with the update of our business impact analysis. The refreshed method provided business units with a

better view of their recovery requirements, back-up capability, and their dependencies on external parties.

The Group aims to achieve optimal balance between retaining and transferring risks. As a testament to this, AEV initiated the quantification of its cyber risks in preparation for creation of a risk transfer strategy. Policies and guidelines for cloud storage and cybersecurity were instituted to protect the organization's information against unauthorized access; ensuring confidentiality, integrity, availability, and privacy of information.

As we move forward, we continue to look at multiple aspects of risk management when selecting mitigating measures. We take a wider view and find ways to integrate different risk activities to paint a clearer picture of our organization – what gaps should we close, in what areas do we need further assistance, and what strengths can we take advantage of.

Navigating both the familiar and the uncharted waters not only requires expertise, but concerted effort from different teams and functions across all our business units. The output that each team mate provides defines how enabled and empowered the next team mate is in delivering output to the succeeding member of the organization. Each one of us in the Aboitiz Value Stream treats the next person as a customer and partner, with the intent of providing unparalleled service excellence and added value in advancing business and communities in the areas where we operate.

Meeting the challenges of tomorrow

Since its beginnings in the abaca trade, the company's passion for finding better ways and emphasis on the value of innovation has allowed the group to prepare today to meet the challenges of tomorrow.

Moving into a multi-country platform, the group is given the opportunity to fulfill its brand promise in the Pan-Pacific region. At the core of this is the need for innovation in managing the risks that go

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The group's overall consolidated debt maturity profile remained within the parameters set by the companies to mitigate liquidity and refinancing risk. As part of our financial planning, we have been keeping our balance sheets healthy and our capacity to raise money through the debt markets strong.

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Each one of us in the Aboitiz Value Stream treats the next person as a customer and partner, with the intent of providing unparalleled service excellence and added value in advancing business and communities in the areas where we operate.

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hand-in-hand with multiple currencies and business environments, as well as stakeholder engagement in the new areas that we serve.

Building on the Group's management expertise gained from years of operating in our home market, we are replicating our best practices while adapting them to the context and environment of our new businesses. We are also integrating our management systems to streamline monitoring and reporting, while driving continuous improvement in business operations.

In addition, we are maximizing our roster of insurers to find the best fit programs as well as partnering with reputable local players who have strong ties to their markets.

On the digital front, several undertakings are being initiated to allow the group to adapt to the technological advances in the market. One example is AP, which is eliminating process waste by implementing optical character recognition (OCR) technologies, thereby reducing manual steps, paperwork, and process risk. Another is UnionBank, which is building the infrastructure to become the best digital bank, pioneering the country's first fully-digital branch in The Ark, and pushing the limits of what blockchain and artificial intelligence technologies are capable of.

To address the evolving requirements of our equity and debt providers, insurers, as well as regulators across our new multi-country platform, we are strengthening our Environmental, Social, and Governance (ESG) reporting and communication. We published our first sustainability report in 2009, and our first integrated report in 2016. Our integrated report has been GRI-certified for 3 years in a row, providing assurance to our stakeholders of timely, accurate, reliable and complete information, based on the Global Reporting Initiative (GRI) framework. Beginning 2017 and until today, both AEV and AP were included as constituents of the Financial Times FTSE4Good Index, an index series designed to measure the performance of

companies demonstrating strong ESG practices. Moving forward, this will provide our stakeholders with a reputable third party multi-dimensional measure of ESG practice and performance.

Driving a culture of values

We head into 2019 with great optimism, resolute in cultivating development, and purposeful in nurturing mutual value in each community, sector, and society that we serve. As your CFOs, we are relentlessly determined to keep learning and to deliver on our promises.

For 2019, we are well-equipped and prepared as we remain faithful to our values of Innovation, Teamwork, Integrity, and Responsibility.

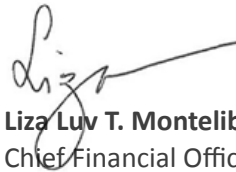
We remain grateful to our shareholders, customers, partners, financial institutions, suppliers, government for their enduring patronage, and for their steadfast belief and faith in our management team.

Together, we can build a better tomorrow.

Sincerely yours,



Manuel R. Lozano
Chief Financial Officer
Aboitiz Equity Ventures, Inc.



Liza Luv T. Montelibano
Chief Financial Officer
Aboitiz Power Corporation



FTSE4Good

FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that Aboitiz Equity Ventures and AboitizPower have been independently assessed according to the FTSE4Good criteria, and have satisfied the requirements to become constituents of the FTSE4Good Index Series.

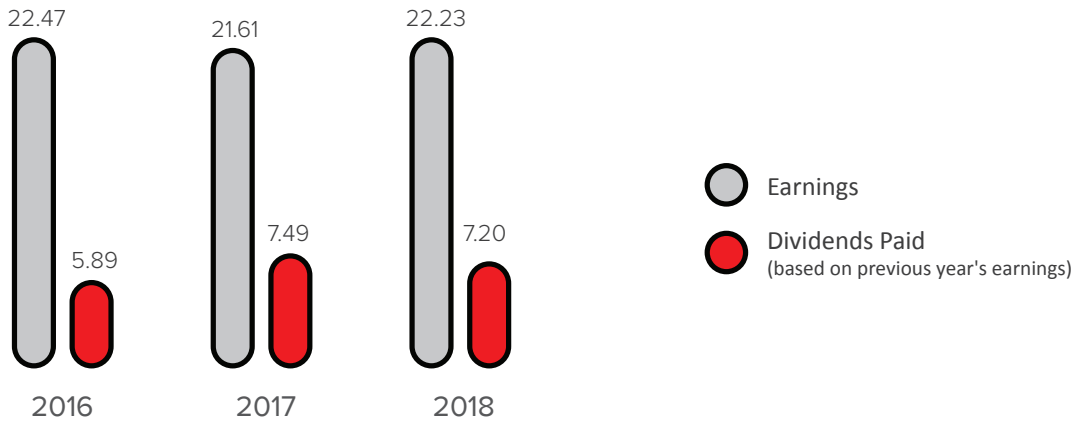
Created by the global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. The FTSE4Good indices are used by a wide variety of market participants to create and assess responsible investment funds and other products.

Shareholder Value

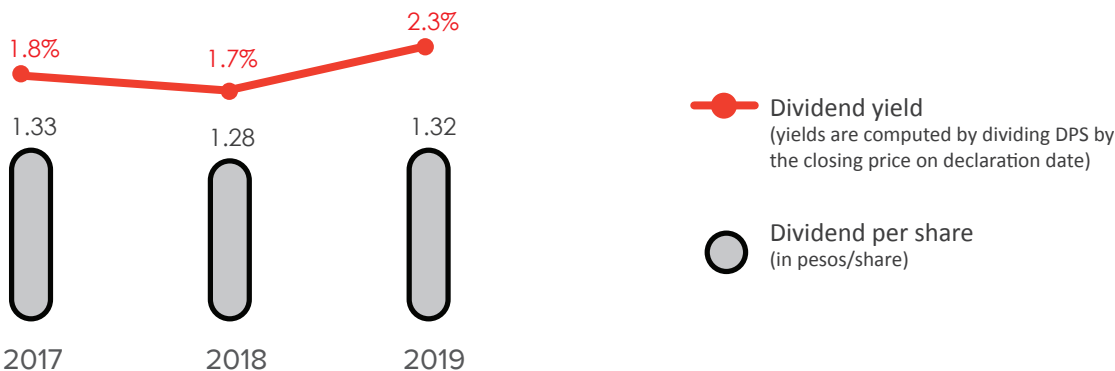
Aboitiz Equity Ventures, Inc.

Earnings and Dividends

(in PHP billions)



Dividend Per Share (DPS) and Dividend Yield



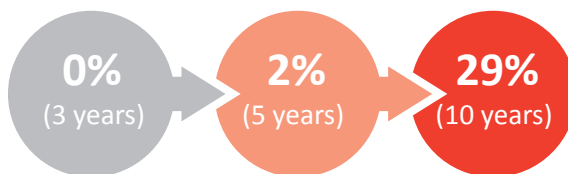
Share Price (Peso/Share)

YEAR	HIGH	LOW
2018	79.00	44.10
2017	77.65	67.50
2016	84.40	54.40

Share Price Performance

YEAR	2018
AEV	-26%
PSEi	-13%

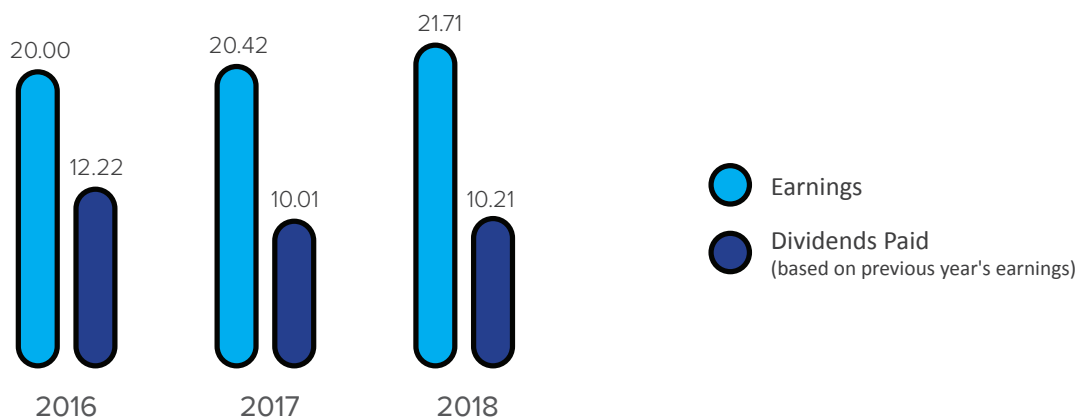
Total Return to Shareholder (TRS)*



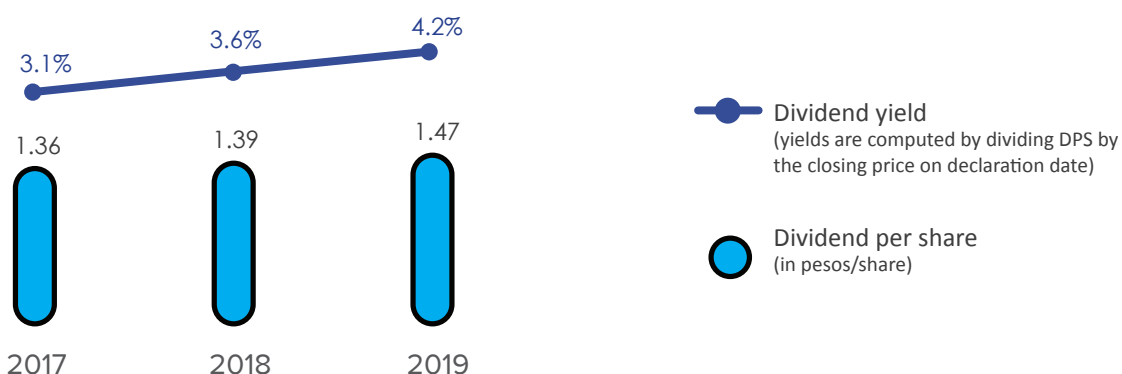
*TRS is computed by combining share price appreciation and dividends paid to show TRS expressed as a compounded annual growth rate (CAGR). Data compiled by Bloomberg.

Earnings and Dividends

(in PHP billions)



Dividend Per Share (DPS) and Dividend Yield



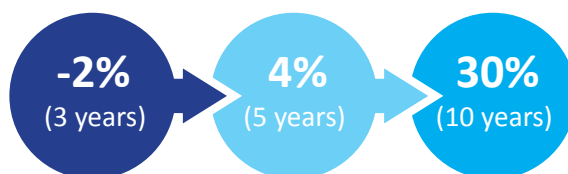
Share Price (Peso/Share)

YEAR	HIGH	LOW
2018	41.80	31.20
2017	44.25	38.30
2016	48.90	39.40

Share Price Performance

YEAR	2018
AP	-16%
PSEi	-13%

Total Return to Shareholder (TRS)*



*TRS is computed by combining share price appreciation and dividends paid to show TRS expressed as a compounded annual growth rate (CAGR). Data compiled by Bloomberg.

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“

We're given the opportunity
to try out new technologies and

innovate.

Our mentors are generous
with sharing of ideas and thoughts.
That's how our cadet engineers learn.

”

Daryl Homer Ramos
Mechanical Sr. Supervisor
SN Aboitiz Power



POWER



Seizing opportunities in a challenging industry

The Electric Power Industry Reform Act (EPIRA) has come a long way since its enactment in 2001.

At the heart of EPIRA is Retail Competition and Open Access (RCOA), which has strongly driven competition among power players, resulting in lower electricity prices and better service for consumers.

We believe EPIRA is working and is fulfilling its ultimate goal to deliver reliable, affordable, and sustainable energy to all Filipinos. It gives all of us the power to choose from a wide array of energy sources and suppliers.

While this is good news for consumers, it is a challenge to power generators, power distributors, and retail electricity suppliers (RES). Today, more than ever, the battle for

market share has become tougher, contract terms are shorter, margins are getting thinner, and customers are enjoying the opportunities that a highly competitive market provides.

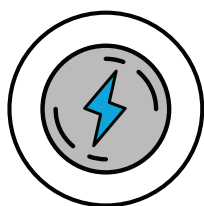
Despite these challenges, we have sustained AboitizPower's upward growth momentum by continuing to expand our balanced mix portfolio of renewable and thermal power generation, allowing us to provide better solutions and acquire more customers in the regulated and open access fronts. We also continue to ride on the growth of our franchise areas being served by our distribution utilities and we are still the benchmark in service delivery and efficiency.

In 2018, we inaugurated the 420-megawatt (MW) baseload power plant in Pagbilao, Quezon, our joint venture with TeaM Energy Corporation (TEC), as well as our 8.5-MW Maris Canal hydro in Isabela. These facilities

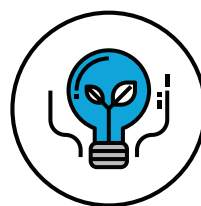
METRICS THAT MATTER



PHP
16.7 billion
income contribution
to AEV



3,206 MW
of 4,000 MW target attributable
net sellable capacity



1,294 MW
of net sellable capacity
from Cleanergy,
together with partners



1AP
culture launched



Erramon I. Aboitiz
President and CEO
AboitizPower

are essential to help stabilize energy supply for the Luzon grid. In the Visayas, our 340-MW baseload facility in Toledo, Cebu is currently in the testing and commissioning stage, while our 73.3-MW hydropower plant in Manolo Fortich, Bukidnon, started commercial operations in 2018. We also took over the Naga Power Plant Complex in Cebu, as well as entered into agreements with AC Energy to increase our beneficial ownership in the GNPower Mariveles and Dinginin projects. The said transaction, which was valued at USD579.2 million, is subject to Philippine Competition Commission (PCC) approval. Moreover, we launched our first rooftop solar venture through our new business unit, AboitizPower Distributed Energy, Inc. (APX).

Our geothermal business unit also signed an agreement with the Philippine Geothermal Production Company, Inc. (PGPC) for the supply of steam and the drilling of new production wells in the Tiwi and MakBan geothermal complexes. These are to address the challenge of steam decline and ensure the long-term operations of these two Cleanergy facilities.

Our sustained growth has brought us closer to our target of 4,000 MW attributable capacity and seven terawatt hours (TWh) for RCOA by 2020. As of 2018, we have 3,206 MW of attributable capacity and have delivered 5.32 TWh to the RCOA market. We have 49 power plants, 32 of which make up our Cleanergy portfolio of geothermal, hydro, and solar assets. Our generation and distribution businesses are strategically located across the country to ensure adequate power supply in Luzon, the Visayas, and Mindanao.

Aside from continuously expanding our portfolio, we ensure that operations at our

existing power plants remain at par with globally recognized standards and best practices. In 2018, our various business units earned multiple certifications for quality, safety, environmental, asset management, business continuity, and information security management from the International Organization for Standardization (ISO).

Our distribution group continued to enhance and expand its network to ensure reliability. We strengthened our customer service with 24/7 online customer touchpoints, as well as increased the number of third-party agents to make it easier for our customers to pay their bills.

We also signed a service agreement with Science Park of the Philippines, Inc. (SPPI) to manage the construction, installation, operation, and maintenance of the power distribution in the 212-hectare Light Industry & Science Park (LISP) IV in Malvar, Batangas.

Our quest to become world class continued, with Cotabato Light and the EnerZones now ISO 9001:2015-certified, and VECO and Davao Light also getting their respective re-certification in Quality Management System.

VECO and Davao Light are among the first few in the country to be certified with an ISO 14000:2015 and ISO 45000:2018 for Occupational Health and Safety and Environmental Management.

These milestones in 2018 highlight our commitment to maintaining high standards in both our generation and distribution business units, and ensure the safety of our team members and host communities while we deliver quality products and service to our customers.

“

Strategy drives business growth, but it is our 1AP culture that enables us to sustain our successes so that we remain relevant to our customers and host communities today and in the many years ahead.

”

Emmanuel V. Rubio
COO
AboitizPower



Emmanuel V. Rubio
COO
AboitizPower



Felino M. Bernardo
COO - Generation Business Group
AboitizPower



Jaime Jose Y. Aboitiz
COO - Distribution Business Group
AboitizPower



Key growth driver

With the energy industry becoming more and more aggressive, we saw the opportunity to leverage what has always been our biggest competitive advantage – our team.

Alongside the expansion of our various business units in 2018, we made deliberate efforts to further strengthen our culture, which is the foundation of our organization.

We went to all our business units nationwide, encouraging each and every team member to embrace and live by our 1AP culture so that collectively, we will



About 3,000 AboitizPower team members were reacquainted with the organization's way of life during the 1AP Culture launches held in various locations all over the country.

be able to sustain our contribution to the Aboitiz Group promise of advancing business and communities.

Our 1AP culture highlights the capabilities of our team as high performers, our owner's mindset, and our desire to continue learning and growing in an atmosphere of mutual respect and appreciation, driven by our core values of integrity, teamwork, innovation, responsibility, and service excellence.

It is our 1AP culture that fuels the growth of our businesses and the positive

difference we make in the lives of our customers, community partners, and all our other stakeholders. It is through our values that we continue to deliver on our promise of reliable, reasonably priced, and responsibly produced power supply. It is through the unwavering support and commitment of our team members that we have remained well-positioned in the ever-challenging energy market. This has been, and always will be, the bedrock on which AboitizPower will continue to thrive, to be the power partner and neighbor of choice not only today but in the years to come.

2018. milestones.



- Contributed PHP16.7 billion to AEV, up by 6% YoY from PHP15.7 billion in 2017
- Listed PHP10.2 billion Fixed Rate Bonds on the Philippine Dealing & Exchange Corp. (PDEX), the second tranche of our PHP30 billion Shelf Registration Debt Program, for acquisitions, future investments, and refinancing existing debt

Generation Business Group

- Increased attributable net sellable capacity by 291 MW
- Inaugurated the 420-MW Pagbilao 3 baseload power plant in Quezon and the 8.5-MW Maris Canal hydro in Isabela
- Launched APX, our rooftop solar business unit
- Completed the commissioning of the 73.3-MW Manolo Fortich hydro in Bukidnon and the 340-MW baseload power plant in Toledo, Cebu
- Acquired and took over the 153.1-MW Naga Power Plant Complex in Cebu
- Signed a Geothermal Resources and Supply Services Agreement with PGPC for the supply of steam and the drilling of new production wells in our Tiwi-MakBan geothermal power plants
- Started signing framework agreements with host communities for the proposed Alimit Hydropower Complex in Ifugao
- Piloted digital analytics in our Davao thermal power plant in an effort to further improve the overall performance of our facilities
- Achieved 20 million safe manhours without lost time injury for Therma Visayas, APRI, and SacaSun, and two million safe manhours without lost time injury for Therma South

Distribution Business Group

- Increased distribution customer base by 4% to 995,828 customers
- Increased aggregate electricity sales by 21% YoY to 34.03 TWh
- Partnered with SPPI, through Malvar EnerZone, to manage the construction, installation, operation, and maintenance of power distribution in the 212-hectare LISP IV in Batangas
- Inaugurated VECO's 20th substation in San Fernando, Cebu
- Launched the first Basic Electrical Lineman's Training Center in Mindanao, a project of Davao Light in partnership with the Technical Education and Skills Development Authority (TESDA)
- Increased VECO's third-party agent partner establishments to 7,820 affiliates nationwide, making it more convenient for customers to pay their electricity bills
- Completed phase 2 of the Underground Distribution System (UDS) project along the Sinulog route in Cebu City, bringing it to a total of 2,350 meters
- Started the next stages of the UDS in Davao City in partnership with the local government and other utility providers; immediate goal is to transfer six circuit kilometers of overhead lines underground from C.M. Recto Street to Quirino Avenue



2019

outlook



Generation Business Group

- Start commercial operations of the 340-MW Therma Visayas baseload power plant in Toledo, Cebu
- Finish construction of the 19-MW La Trinidad hydropower plant in Benguet
- Complete all the necessary framework agreements for the proposed Alimit Hydropower Complex in Ifugao
- Sign more contracts under RCOA
- Expand the Cleanergy portfolio by exploring more opportunities in solar and hydropower generation
- Maximize the Cleanergy portfolio in line with the Renewable Portfolio Standards, to participate and capture a significant size of the Green Energy Option Program market

Distribution Business Group

- Achieve 100% emergency response within 30 minutes, 100% restoration time within one hour, and increase by 50% same-day connections and reconnections for all utilities
- Complete the 890-meter phase 3 of VECO's UDS in Cebu City; set up more satellite offices for faster handling of customer requirements
- Sign a five-year partnership program between Davao Light and the Davao City government to replace all sodium lamps in the city with LED, reducing the city's energy consumption without compromising services
- Aim to further reduce Cotabato Light's feeder loss cap from 6.5% to 6.25% in 2019 and to achieve 100% household electrification in two years. Its peak demand increased by 8% in 2018 vs. 2017 and is expected to hit 32.1 MW in 2019
- EnerZones to get certifications for Environment, Health, and Safety



our abc story

Manolo Fortich Hydro: Creating better communities in Bukidnon

Long before Hedcor Bukidnon laid the foundation for its 73.3-MW Manolo Fortich Hydropower Plant, the AboitizPower subsidiary has been quietly working to better the lives of people in its host community.

As of November 2018, the plant has been supplying Cleanergy to 10 electric cooperatives and distribution utilities across Mindanao, powering homes, energizing businesses, and advancing communities.

Recognizing the importance of its hosts, the Higaonon indigenous people, Hedcor extends a helping hand through various projects, including medical missions, educational assistance, and water systems. Thousands of jobs were given to local residents during the plant's construction. All of these support the United Nations' Sustainable Development Goals to promote sustained, inclusive, and sustainable economic growth; full and productive employment and decent work for all; and to ensure healthy lives and promote the well-being of everyone, regardless of age, by 2030.

Hedcor Bukidnon and the Aboitiz Foundation donated educational facilities and supplies to Sitio Impakibel, Barangay Maluko in Manolo Fortich, Bukidnon. A one-unit, 40-foot container van used for shipping electro-mechanical parts of the hydropower turbines was converted into a daycare classroom, complete with tables, chairs, books, and school supplies.

Community leaders expressed their appreciation for the educational facilities and committed to do their part in the classroom's care and upkeep.



Even before the start of its commercial operations, Manolo Fortich Hydro has already been benefiting its host communities through various CSR programs.

“Hedcor looks after not just its business interest, but also the welfare of the people within its impact areas. Even to areas outside its impact, Hedcor extends its corporate social responsibility.”

Clive Quiño
Mayor, Manolo Fortich

In 2018, Hedcor Bukidnon allocated close to PHP4 million for 18 projects across its host communities. To date, 103,000 trees have already been planted in areas near the Manolo Fortich Hydropower Plant.

With its operations in full swing, the Manolo Fortich plant now has the largest generating capacity among Hedcor’s facilities in Mindanao. Hedcor Bukidnon aims to continue the plant’s smooth operations and further strengthen relationships with its host communities, fulfilling the Aboitiz Group promise of advancing business and communities.

Homes and businesses benefit from net metering program

Solar technology has been gaining traction among small- to medium-scale businesses in the Philippines, most of which have invested in solar photovoltaic panels on their rooftops so they can harness the power of the sun for their own consumption.

Seeing the opportunity in this technology trend, AboitizPower distribution utilities have pioneered a net metering program encouraging customers with rooftop solar facilities to sell their excess power. The Renewable Energy Act of 2008 allows customers of distribution utilities such as VECO and Davao Light to install a renewable energy facility that does not exceed a capacity of 100 kW so they can generate electricity for their own use.

Among the satisfied customers of this program is Odysseus Suarez, a Cebu-based businessman who used to spend a huge amount on electricity for his wedding rings business. After he signed up for VECO's net metering program in 2016, he saw a significant drop in his expenses.

"Net metering is perfect for businesses like mine that have a high power requirement during day time. Because of the program, we use renewable energy, save on our electricity costs, and I get to give back whatever savings to my employees."

Odysseus Suarez
Entrepreneur and VECO customer

VECO residential customer Tony Lozada, who signed up for the same program in 2015, shared the same experience.



VECO keeps its net metering customers happy by providing detailed reports that help them track solar yield, as well as the power they consume and export to the grid.

“Since I really wanted to have a solar facility, I gave up an unused service car to buy one. Turns out, it was a good decision because my solar facility has lowered our electric bills by 30 to 40 percent.”

Tony Lozada
Businessman and VECO customer

Generated electricity that is not consumed by the customer is automatically exported back to the distribution system. In exchange, customers earn credits that are equivalent to the utility’s blended generation cost. These credits are then deducted from their electric bill.

Cebu-based VECO, the second largest electric distribution company in the country, launched the program in 2013. Since then, it has grown its customer base to almost 80 companies and households with a combined energy consumption of 593 kW.

Davao Light, the Philippines’ third largest electric distribution utility, has a total of 28 active net metering customers whose solar rooftop facilities have delivered a total of 8,924 kWh to the grid as of October 2018.

Since 2013, AboitizPower distribution utilities have been encouraging customers that have solar rooftops to apply for the net metering program. These utilities are also constantly improving their systems to cater to more solar power users.

our abc story

What makes a reliable power partner

The energy market has become highly competitive with the rapid increase in the number of power generators, distributors, and retail electricity suppliers. With competition, consumers become wiser in choosing their power partner. Beyond meeting their energy requirements, customers also choose suppliers who offer other value-adding services.

AboitizPower continues to be the partner of choice for customers. We make sure that our customers get the quality products and services they need. We enhance customer experience by providing technical predictive maintenance services that are up-to-date and dependable.

- **Electrical Thermographic Scanning (ETS)** enables us to detect electrical issues, such as wiring connection problems, unbalanced loads, and deteriorated insulations that are invisible to the naked eye.
- **Power Quality Analysis (PQA)** helps in diagnosing the health of the customer's electrical system.
- **Vibration Analysis (VA)** is a procedure that helps in the early detection of mechanical fatigue or a breakdown.



At AboitizPower, we strive to ensure the reliability of power supply and quality of service to our customers.

In 2018, we provided a total of 130 of these technical services. Megaworld Corporation, The Net Group, Shangri-La Mactan, Jollibee Group, Waltermart Group, SteelAsia Manufacturing, Gaisano Group, and Texas Instruments were some of our customers.

“These technical services may not be exclusive to AboitizPower as other suppliers are also offering the same, albeit for an additional cost. Despite these being free of charge, our customers are guaranteed quality service as we continue to build the capability of our engineers in the field of electrical maintenance. We have a competent team of technical services experts who have world-class certifications and licenses, and are trained to operate top-of-the-line electrical equipment.”

Gerald Malit
Technical Services Manager, AboitizPower

Through our technical predictive maintenance services, we not only provide a balanced mix power supply, but we also strive to make sure our products and services are delivered to customers in the most effective and efficient way possible. Ensuring excellent customer service is one way we contribute to the Aboitiz Group promise of advancing business and communities.

“

We saw the opportunity that we can still do more other than extend financial assistance to teachers. We have so much desire to help our public schools, students, and teachers since we have witnessed their struggle in raising funds to improve school facilities. Through our CSR projects, we found our real purpose.

”

Ormoc Team
CitySavings



Banking and Financial Services



For more than three years now, UnionBank has made significant progress in its transformation journey.

In 2015, we introduced our Digital Transformation plan. In 2016, we worked on establishing the foundational architecture and digital enablers to digitize the bank, launch a digital bank, and engage fintechs.

Along with the launch of several digital executions, we set our strategic roadmap in 2017: Strengthen Today by repositioning UnionBank as a digital bank, and Create Tomorrow in search for the business model of the future. Indeed, we have covered a lot of ground.

At the center of the bank's push for transformation is the customer. From the start, we focused on addressing customer pain points and delivering unique and

memorable customer experiences. From these, innovations flowed. To strengthen the bank's messaging, we introduced our refreshed purpose: "To co-create innovations for a better world." This has been our guiding principle as we accelerated transformation efforts in 2018 and it will continue to be our driving force to move further.

In aspiring to be the Best Digital Bank, we continued to iterate on three primary customer touchpoints: branch, mobile/online, and relationship managers.

The success of The Ark on an operational efficiency standpoint has prompted us to roll out the transformation to more branches in 2018 and onwards.

A year after the launch of our UnionBank mobile app, we have seen substantial adoption by users with unprecedented download and

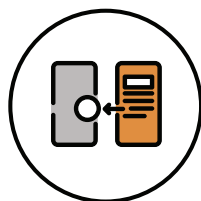
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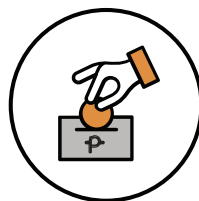
PHP
3.6 billion
income contribution
to AEV



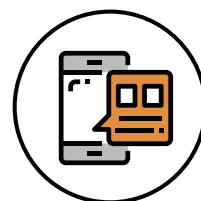
Transformed
9
regular branches
into digital 'Arklite'
branches



Launched
Projecti2i
a blockchain-based
clearing and payment
system for rural banks



Extended reach to new
market segments
(i.e. motorcycle loans
and microfinance
through acquisitions)



Expanded service
offerings through
partnerships with some
of the largest online
marketplaces (e.g.
Lazada and Western
Union's Commercial
Payments for Amazon)

“

We believe in the crucial role that rural banks play in our endeavor to achieve financial inclusion. This is why Project i2i was born. Rural banks have a strong societal connection and gain the trust of their communities. The insights we get in collaborating with them and their customers allow us to be responsive to their needs. Enabled by the right technology and guided by the right partners, we are optimistic that our solution will be able to uplift the lives of our fellow Filipinos in the rural areas. We look forward to having more participants in the i2i platform, for together we can co-create greater innovations to achieve inclusive prosperity.

”



Edwin R. Bautista
President and CEO
UnionBank

activity rates. Given the feedback of our customers, we aim to enhance the app’s features and add more functionalities that will fulfill our customers’ end-to-end experience.

Recognizing that relationship managers are key to widening and deepening customer relationships, we provided them with the right digital tool to increase productivity and enhance client experience.

Constant automation efforts and ongoing organizational improvements support these digital



channels, ensuring their availability, accessibility, accuracy, and security for our customers.

Apart from enhancing customer channels, we continued to leverage on our link with corporate and micro, small, and medium enterprises (MSMEs) to further expand our reach. By creating a network among local businesses, facilitated by an end-to-end solution where each one can have access to others' products and services, we have significantly grown our MSME base. Our next step is to expand opportunities for

fintech partnerships and MSME synergies to maximize value creation within the platform.

We also co-created a solution to link rural banks and provide them access to the main electronic banking system using blockchain technology. The goal is to onboard as many rural banks as possible to enhance the delivery of banking services across the country and to extend coverage of the financial system to rural areas.

Assisting us in our endeavor for financial inclusion is our mass market champion,



One of UnionBank's fully-digital branches called "Arks", located at the ground floor of UnionBank Plaza in Pasig City.



Lorenzo T. Ocampo
President and CEO
CitySavings



Adrian Alfonso T. Ocampo
President and CEO
PETNET



CitySavings. After a series of acquisitions, CitySavings embarked on replicating its successful operating model to new mass market institutions. Its merger with Philippine Resources (PR) Savings Bank, alongside the opportunity to leverage on PETNET’s large outlet network, will enable CitySavings to expand outside the teachers segment and fast-track its capabilities in extending financial services to underserved Filipinos.

As we continue to go full force in our transformation journey, we remain focused on a higher purpose – inclusive prosperity.



CitySavings wins its first international award after it was named as “Best CSR Bank Philippines 2018” by Global Banking and Finance (GBAF) Review, a leading online and print magazine based in London, United Kingdom.

We aspire to bring a large number of Filipinos and MSMEs into the formal financial system and deliver a new level of customer experience in terms of efficiency and convenience, among others. We will continue to empower our customers – individuals, MSMEs, rural banks, and many more – with the right tools and services to contribute to the nationwide challenge of financial inclusion.

The success of our transformation process has been affirmed by the many accolades UnionBank received over the years.

These include:

- Asia’s Best Bank Transformation (Euromoney Awards for Excellence)
- Digital Bank of the Year - Philippines for two consecutive years (The Asset Triple A Digital Awards)
- Best Digital Bank in the Philippines for two consecutive years (Asiamoney Awards)
- Digital Transformer of the Year (IDC Digital Transformation Awards)
- Most Innovative Bank of the Year in the Philippines (The European - Global Banking & Finance Awards)
- Best Branch Customer Experience for The Ark (RBI - Customer Experience in Financial Services Awards)
- Achievement in HR Technology and Employee of the Year in Banking (Stevie Awards for Great Employers).

2018 milestones

UnionBank

- Recorded income contribution to AEV at PHP3.6 billion
- Completed its PHP10 billion stock rights offering in September 2018
- Rebranded its DNA and purpose – To co-create innovations for a better world – resounding AEV’s purpose
- Developed 708 internal APIs and 128 external APIs in its platform to-date, enabling fintechs, developers, and corporate customers to connect with the Bank’s functionalities
- Deployed robotics process automation on manual processes in the Bank’s technology and operations units to improve productivity
- Established the first in the country a state-of-the-art Integrated Operations Center (IOC), a collaborative facility for the 24/7 monitoring of the Bank’s business, network and security operations. With this, the Bank was recognized as having the Best Cybersecurity and IT Risk Management Initiative in the Asian Banker Philippine Country Awards 2018 and was made as the standard for BSP Circular No. 982
- Onboarded more than 37,000 MSMEs into its GlobalLinker platform and enhanced services to include enterprise resourcing planning (ERP) system, HR services, courier service, and many more as enabled by fintech partnerships
- Became the first bank in the world to pilot test a new platform for cross-border B2B payments using the blockchain technology together with global solutions payment firm, Visa
- Formed 6 tribes, 36 squads, and 62 teams that apply the agile ways of working on internal and external customer missions, as part of the vision to be an agile organization
- Launched the 1UHub app for UnionBankers, making key HR activities (benefits, trainings & learning sites, bank promos, etc.) readily accessible to employees
- Established the Blockchain Institute which aims to train and equip 100 blockchain cadets with emerging skillsets that technology companies require

CitySavings

- Diversified into the motorcycle loan segment through the acquisition of Philippine Resources (PR) Savings Bank



- Signed a share purchase agreement with Progressive Bank, marking the expansion of CitySavings' microfinance portfolio
- Launched the Seafarer and Agency employee loans
- Opened 9 new branch-lites, located in northern Luzon and Mindanao
- Awarded as outstanding thrift bank in the Gawad CFI group level category, recognizing the bank's partnership with LandBank in promoting countryside development and in providing credit to marginalized and underserved sectors of society
- Won its first international award as "Best CSR Bank-Philippines 2018" by the Global Banking and Finance Review, in recognition of their commitment and leadership in improving the lives of educators, students, and families through various CSR initiatives

PETNET

- Introduced new products to include:
 - GCash Cash-In service
 - PERA HUB Visa Prepaid Card
 - Remittance, express branch transactions, and mobile loading via PERA HUB Mobile App
 - Amazon payments for Western Union
- Partnered with Lazada Express, making 139 PETNET locations as drop-off points for Lazada merchants
- Rolled out a new international and domestic ticketing service for over 70 airlines

outlook

- Focus on growing customer loans across major business segments
- Continue to increase retail customer acquisition and enhance customer experience via digital channels
- Further improve operational efficiency by scaling up automation or technology implementation (e.g. artificial intelligence, blockchain) in internal processes
- Onboard more rural bank participants in the i2i platform for nationwide coverage
- Leverage partner networks and fintech engagements to expand reach to new mass market segments while improving operational efficiencies



our abc story

Project i2i: Co-Creating Inclusive Prosperity

As they say, “alone we can do so little, together we can do so much.” Similarly, the challenge of financial inclusion must be addressed and carried out collectively by various stakeholders.

Aligned with its purpose to bring change in the communities it serves, UnionBank ensures to do its part in this nationwide concern. By working together with the right partners that have the right insights and the right technology, the bank is starting to crack the code of inclusive prosperity.

The Problem

Recent statistics show that 65.5 million Filipinos still do not have access to formal banking institutions. For financial inclusion to happen, it should start in rural areas where a large portion of the population are not yet part of the financial ecosystem. More than the efforts of universal and commercial banks to serve these areas, rural banks are best suited to spur development in their own communities.

However, rural banks lack linkage to the main electronic banking system and to domestic and international money transfers through channels such as the Philippine Payment and Settlement System (PhilPASS), Philippine Clearing House Corporation (PCHC), and the Society for Worldwide Interbank Financial Telecommunication (SWIFT). This limits their access and in turn, their customers’ access to affordable, trustworthy, and efficient payment and remittance services. In the words of UnionBank Chairman Justo A. Ortiz, rural banks themselves are “financially excluded.”

This prompted UnionBank, a firm believer in the power of co-creation and technology, to empower rural banks to scale up their operations.

The Co-Creative Process and Solution

In late 2016, UnionBank started to experiment with internal blockchain executions to improve operational processes. Seeing the great potential of blockchain technology, it envisioned to launch a use case for rural banks that can be implemented on a larger scale and thus, have greater societal impact.

Bringing financial inclusion
to rural communities

UNIONBANK

Justo Aboitiz Ortiz
Chairman - Union Bank of the Philippines

Chairman - Philippines Payment
Management Inc

Chairman - Blockchain Association
of the Philippines



Project i2i

A four-week training workshop was conducted in collaboration with Consensys, a blockchain software tech company, and Cantilan Bank in Surigao, the first rural bank to volunteer for the experiment. The goal was to immerse in the local culture and economy of the community, map the users' journey, and use those as inputs for the bank's minimum viable product.

More than a year later, in May 2018, UnionBank formally introduced Project i2i, an endeavor to bring inclusion from island to island, institution to institution, and individual to individual. This pioneering solution aims to link rural banks through a blockchain-based transaction and payment system in a seamless, real-time, and secure manner.

The project benefits the network of rural banks by dramatically improving their operational efficiency. Its pilot run showed that reconciliation and verification steps can easily be reduced from 26 to 4, from days to minutes, and without much personnel intervention. If rural banks can reduce operating costs through this technology, imagine how their pricing behavior can change and translate to lower fees or costs of services for their rural customers.

In its first phase, i2i enables rural banks to transfer funds through the Bangko Sentral ng Pilipinas' automated clearing houses (PESONet and InstaPay) or through other i2i partners. These features are available in a lightweight and secure web-based system that runs on Consensys' Kaleido platform.

Since signing up six participants – Cantilan Bank, PR Savings Bank, City Savings Bank, First Agro-Industrial Rural Bank, Inc, PETNET/PERA HUB, and Progressive Bank – for its pilot run, i2i has been able to onboard more than 60 out of the total 449 rural banks in the country even with just the fund transfer feature.

Next Steps

UnionBank has bigger plans for i2i. Future iterations will enable rural banks to offer universal banking products to their customers. These products include BancNet-enabled ATM cards, credit cards, a mobile banking app with a payment system, and domestic and international remittance services. Rural banks will also be able to offer their own systems and services in the platform.

Further ahead, i2i can extend its reach to cooperatives, sari-sari stores, and other financial outlets. With more partners involved in the project's co-creative process, the delivery of banking services to remote communities can be enhanced and will bring UnionBank closer to achieving inclusive progress.

“

We do our CSR even without media attention. The community knows we genuinely care.

We're really involved in their development and that's why I think they love Pilmico.

”

Rolando Vidor
Research and Development Supervisor
PANC



FOOD



pilmico
FEEDS

pilmico
FEEDS



Classic
STARTEX
THỨC ĂN HONNIP - 27% CHỒIHO
TỰ 10 KG

Mã TCSX 99.25111/PILMICO
Mã W:
Ngày sản xuất:

Sản phẩm của CÔNG TY CỔ PHẦN THỰC PHẨM CHĂN NUÔI PHILMICO
Cụm Công Nghiệp - Xã Lạc Bình - Huyện Thạch Khê - Tỉnh Hà Tĩnh
ĐT: 02377 3547 181 - Fax: 02377 3547 182 - CO PHÂN PHỐI: 02377 3547 183

We in Pilmico recognize our important role in building nations by providing quality food on the table. With our business model well-positioned at the beginning of the food value chain, this allows us to nourish populations and contribute towards food security. From backyard farmers and bakeshops to long-standing institutional clients, we enable growth through the consistent performance of our quality farms, feeds, and flour products and support services.

Our strategy

We in Pilmico have been consistent in executing our two-pronged strategy of (1) growing and strengthening our existing core businesses while (2) building new ones and expanding our customer base in the ASEAN.

The clarity of our vision to be our customer's chosen Partner for Growth is the North Star to which our organization aligns. We do this by building and strengthening relationships

with all our stakeholders through strong business partnering and providing total business solutions. All these are enabled by technology and delivered by a values-driven and engaged organization.

Our drive to become a relevant integrated food and agri-business player not only in the Philippines but within the region has translated to numerous opportunities in the last five years. We welcomed growth and expansion in two ways – across the food value chain and across geographies.

Our strategic decision to invest in Vietnam in 2014 has become a springboard to launch our business aspirations offshore and prepare the entire organization for a competitive ASEAN market. In hindsight, this was readying Pilmico for transformation.

Our business today

The strength of our teams, efficiencies of our plants, and the confidence and support of our

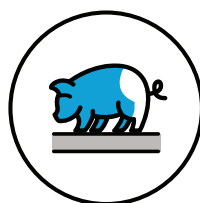
METRICS THAT MATTER



PHP
1.6 billion
income contribution
to AEV



11
countries where Pilmico
now operates, as a result
of the Gold Coin acquisition



14,300
commercial hog
farm capacity



172,000
hens layer
farm capacity

“

By adding Gold Coin to our portfolio, we expand our ground to Asia Pacific and enable our promise of being Partners for Growth to impact more lives and industries.

As our Partners become successful, families live better lives and our communities advance, which, ultimately, results in positive change to our society and inclusive economic development.

”



Sabin M. Aboitiz
President and CEO
Pilmico

stakeholders have brought us to where we are today – a multinational integrated food and agribusiness company.

FEEDS: Asia Pacific Animal Nutrition Platform. The acquisition of Gold Coin in 2018 creates a total animal nutrition platform for Pilmico across 11 countries, including China. This platform supports growth for both livestock and aqua feeds businesses coupled by a burgeoning specialty nutrition category. Capturing synergies and penetrating markets remain as key focus areas.

FARMS: Premiere Food Solutions. We have been able to capture the price opportunity presented by the market, and our plans to expand six years ago have already shown results. We continue to ramp up production capacities both in the swine and poultry segments. This is in preparation for our bold entry into the retail market. Bringing our farm know-how into our other geographies also keeps us excited.

FLOUR: Defending Market Share. Despite the wild commodity ride in 2018, coupled by the influx of imported flour products and the entry of new flour mill, we have managed to keep our hold on the market. We continue to export our flour products in ASEAN and Hong Kong and strengthen our distribution channels in the Philippines. The efficiencies and incremental improvements in our operations remain our competitive advantage.

TRADING: Capturing Value Chain Synergies. This division has performed very well in terms of volume. We hope to see this pillar of our business grow and contribute to bigger margins.

Our Values

As we work towards growing our business in Asia, our Aboitiz values of integrity, teamwork, innovation, and

responsibility will allow us to achieve our goals. We stand firm in our belief that values drive results.

For over 50 years, Pilmico has been serving the Filipino nation through its partnerships with our backyard farmers and bakers, the communities we serve, and the government. Trust has been given, so we take care of it.

Our commitment to our Partners extends beyond providing quality products, value-added services, and transparency. Every day, we make sure to put our promise at the heart of everything we do by wowing our customers. We strive to be a step ahead by keeping an open mind, taking ownership, being accountable when we make mistakes, and having the agility as an organization to quickly find the solution, re-calibrate, and fix them. As a team, we seek out opportunities to help others, even before they ask for it – truly caring beyond oneself.

With the recent addition of Gold Coin to our portfolio, our ground has expanded to Asia Pacific and our promise of being Partners for Growth will impact more lives and industries.

The Gold Coin story is one of the greatest examples of our Aboitiz values in action. What makes this extraordinary is the consistent display of our values by all our teams who closed the deal in the shortest possible time.

It was a bold move to acquire a feed milling company three times larger in terms of capacity and with presence in 11 countries. The acquisition has made Pilmico the 4th largest animal feeds manufacturer in Southeast Asia today.

We strongly believe that with the achievement of our business milestones, we should share the success with all our stakeholders. We remain humble and learn through our experiences by being a student always.

Our Aboitiz values are our foundation and our future.



Tristan Roberto Aboitiz
COO
Pilmico



Gerald Franz Wilflingseder
General Manager
Gold Coin



Michael Tan
President and CEO
Pilmico ASEAN

2018 milestones



- Recorded a net income of PHP1.6 billion in 2018
- Acquired a 75% majority stake in Gold Coin, one of Asia's largest producers of animal feeds; Pilmico emerged as the 4th largest feeds producer in Southeast Asia
- Operationalized two animal feed mills in Tarlac and Bulacan, adding 10,000 MT to total production capacity
- Broke ground on a meat processing facility in Bamban, Tarlac, and opened two meat depots in Pangasinan and Parañaque, giving customers easier access to fresh, safe, and traceable meats and eggs
- Partnered with the TESDA Women's Center to build a business innovation center for bread and pastry production
- Constructed a bridge connecting Sitio Dam and Sitio Bayabas in Armenia, Tarlac, benefitting 4,000 local residents
- Started construction of a Livestock Training Complex in Central Mindanao University, Bukidnon, to help elevate livestock raising and management in the region
- Launched an improved formulation for Elite hog feeds, a flagship brand
- Launched Bagwis, a new line of poultry feeds specially designed for homing pigeons
- Established a partnership with a Bukidnon cooperative for inclusive sourcing of corn
- Received a Gold Anvil Award and a Philippine Quill Award for the Tinapay Natin Pinoy Bread Baking Competition
- Achieved ISO 9001:2015, HACCP, and GMP certifications for Pilmico Iligan flour and feeds plants
- Recognized by President Duterte for initiatives to rebuild Marawi and provide livelihoods to Maranao internally displaced persons
- Achieved 88% completion rate in Project ME, a self-development program for Pilmico team members
- Successfully transitioned to an agile workplace (Taguig office) and implemented the work-from-home option for team members

2019 outlook

- Increase annual feed mill capacity in the Philippines by 300,000 MT by 2020
- Increase annual feed mill capacity in China, Vietnam, Malaysia, and Indonesia by 690,000 MT by 2020
- Ramp up sow level year on year to reach 20,000 by 2020
- Expand layer farm operations in the Philippines with an annual output of 177 million eggs by 2020
- Expand day-old chick operations in Indonesia with an annual output of 40 million chicks by 2020
- Increase flour exports to the Asia Pacific region
- Capture more synergies through continued growth in the commodity trading business in the Philippines
- Further integrate business value chain with new meat processing plant to be completed in November 2019
- Pursue more inclusive, solution-focused, and community-driven initiatives
- Continue building agile workplaces and pursue digital solutions for customer needs



our abc story

Kutitap Bakers of Iligan

Since 2013, young children in Iligan City have been enjoying healthy breads under Pilmico's Kutitap Feeding Program that seeks to address undernourishment and, ultimately, improve academic engagement and reduce dropout rates. In addition to this, small community bakeries that make the nutrient-filled snacks have also been given the opportunity to grow and build relationships with existing and new customers through the feeding program.

"Masarap sa pakiramdam dahil nakatulong na nga sa amin, nakatulong pa sa mga bata (It feels good that just as we benefit, so do the kids)," said Owen Pacas, owner of Mandy's Bakeshop, a 'Kutitap' bakery partner of over five years.

According to Owen, their breads have become so popular they have become part of customers' lives. One customer even brings them back overseas as pasalubong while another customer from out of town would regularly send someone to travel the entire way just for their bread, which are made with Pilmico flour. This loyal following and word-of-mouth from friends and family have pulled in profitable referral sales for his bakery business.

"Naging malaking tulong talaga sa amin yung Kutitap kasi nadagdagan yung puhunan namin kaya ang gusto ko sana ay makapag-expand kami at lumaki pa. (It's like part of their lives now. (The Kutitap feeding program has been truly helpful to us because we have gained additional capital, so we are hoping to be able to expand further.)"

Owen Pacas
Kutitap Feeding Program bakery partner

Even start-up bakery businesses experience the Pilmico difference through the Kutitap program. Norman Mandiag, owner of Happy Bread Bakery, joined as bakery partner in 2017 and has set his sights on building his business with Pilmico.



Not just for the schools and not just for the business, these humble bakers have found a partner for growth in building their livelihood and their community through the Kutitap Feeding Program.

“One factor ‘yun eh, na na-elevate ‘yung quality ng breads. Maganda yung Kutitap dahil mula noon marami nang naghahanap ng breads. Every time may bumibili, nasasabi ko na gawang Pilmico at bumabalik sila dahil doon. Gusto ko sana, pag lumago pa itong business, makapagpatayo ng medyo high-end na cafe na para sa mga tinapay namin. (One factor is improved bread quality. Since joining Kutitap, more people have been asking for our breads. I mention every time that it’s made with Pilmico and customers come back for that. I would like to grow the business further and put up a high-end cafe for our breads.)”

Norman Mandiag
Owner, Happy Bread Bakery

In July 2018, Kutitap was launched in Capas, Tarlac, with Calangitan Elementary School and Manga Elementary School as first partner schools. Another leg is set to be launched in 2019 as part of National Nutrition Month.

The Kutitap Feeding Program has served 13,251 schoolchildren in 16 partner schools. The eight bakery partners who supply the healthy breads have seen their revenue substantially increase since participating in the program, demonstrating that small bakeries can be partners for growth by building their livelihood and their community.

“

In the Aboitiz Group, we achieve team member engagement through various initiatives including corporate social responsibility activities. Each year, Apo Agua team members get involved in these activities outside of work, sharing time and effort to be of service to communities in and around our place of business. My Brigada Eskwela experience was tiring yet fulfilling as I saw the

bayanihan

spirit in the community. Beyond giving material resources, nothing beats the gift of service through the time and effort spent in making the school a better place for students to learn and grow.

”

Karen Laurito
Accountant
Apo Agua



Infrastructure



In 2017, Aboitiz InfraCapital marked our entry into the infrastructure space. We saw numerous opportunities to contribute to our country’s economic growth through the government’s Build, Build, Build Program. We formed a team, forged strong partnerships, and started participating in infrastructure projects.

A year after, we found ourselves gaining ground in our long-term goal of advancing the lives of Filipinos across the country through innovative and sustainable infrastructure solutions.

Water

We aim to supply more than a million residents of Davao City with clean and safe water through Apo Agua. With its groundbreaking and expected full-swing construction, we are positive that we will complete the project by 2021.

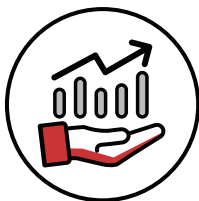
Our minority stake in Balibago Waterworks System in Pampanga allows us to participate in

servicing the need of 200,000 households. Through LiMA Water, our locators in AboitizLand’s LiMA Technology Center (LTC) in Batangas enjoy end-to-end water-related services – from sourcing, distribution, treatment, and disposal. We aim to expand our capacity, build on our operational efficiencies, and upgrade our sanitation facilities to support the growing number of locators while upholding environmental standards.

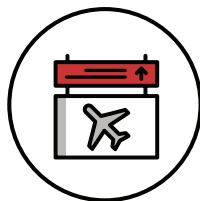
Airports

In 2018, we became active in the airport sector. As a member of the NAIA Consortium, we received Original Proponent Status (OPS) for our unsolicited proposal for the Ninoy Aquino International Airport. Independently, we were granted OPS for our Bohol-Panglao International Airport proposal and, just recently, for our Laguindingan airport bid. Altogether, these give us the opportunity to play a major role in improving the country’s vital gateways.

METRICS THAT MATTER



PHP
213 million
income contribution
to AEV



PHP
102 billion
to rehabilitate and expand
NAIA over 15 years through
Aboitiz InfraCapital’s
participation in the NAIA
Consortium’s unsolicited bid



PHP
12.6 billion
to construct Apo Agua’s 300
million liters/day bulk water
supply project in Davao City



2,649,431
safe man-hours without
lost-time incident (LTI) for
Republic Cement’s capacity
expansion activities

“

We at Aboitiz InfraCapital are bullish about infrastructure projects that will uplift the lives of Filipinos across our country. We look forward to progressing beyond project development, and into project execution and operations in 2019.

”



Sabin M. Aboitiz
President and CEO
Aboitiz InfraCapital



Digital infrastructure

We also expanded our business development beyond physical structures. Under a consortium, we submitted an unsolicited proposal to the Philippine Statistics Authority to implement a national identification system. Using biometric technology, the proposed digital infrastructure is highly secured and will prevent fraud in face-to-face and online transactions. It will also help in the country's long-term social and financial inclusion, providing Filipinos access to social services.

Republic Cement & Building Materials

Being the second largest producer of quality cement in the Philippines, we are in a strong position to contribute to the growth of the country's infrastructure. We are moving forward



with our CAPEX projects and remain committed to strengthening our safety culture as well as improving overall operational efficiency and environmental performance. We are also supporting the creation of new growth centers and securing long-term growth.

Creating value, led by values

Through our presence in water, airport, and cement sectors, we bridge our nation’s infrastructure gap by providing access to better facilities and services, fuelling opportunities for economic growth. Guided by our values of integrity, teamwork, innovation, and responsibility, we will work towards advancing business and communities with our strong team and steadfast vision to connect our country’s local economies, thereby uplifting the lives of our fellow Filipinos.



Cosette V. Canilao
COO
Aboitiz InfraCapital



Nabil Francis
President
Republic Cement

2018 milestones

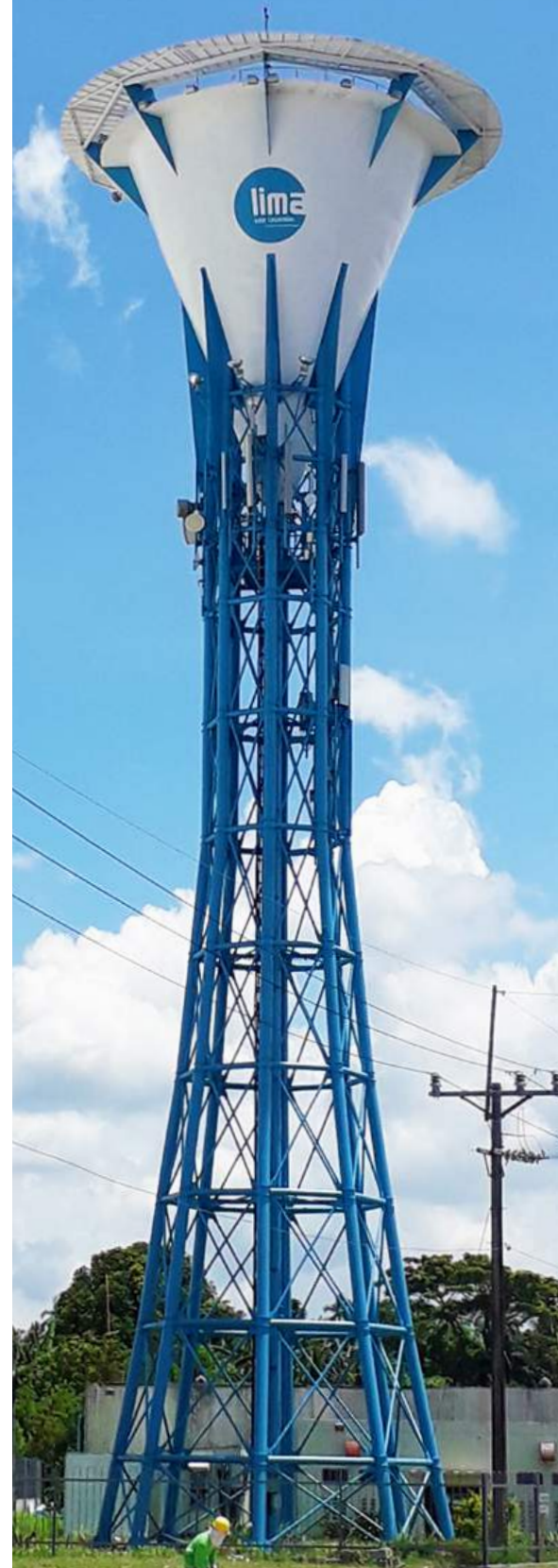
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stones

- Recorded a net income contribution to AEV of PHP213 million
- Secured all required permits and kicked off construction of Apo Agua, our bulk water supply project in partnership with J.V. Angeles and the Davao City Water District
- Submitted unsolicited proposals for the upgrade, operations, maintenance, and expansion of the NAIA, Bohol-Panglao International Airport (BPIA), and Laguindingan Airport
- DOTr granted Original Proponent Status for the NAIA, BPIA, and Laguindingan Airport proposals
- Completed RCBM's Bulacan kiln debottlenecking project on schedule and secured Board of Investments registration of all debottlenecking and upgrading projects
- Rehabilitated LiMA Water's pipe network and began the upgrade of wastewater facilities
- Submitted an unsolicited proposal to the Philippine Statistics Authority to implement a national identification system under a consortium with AC Infrastructure Holdings Corp. and Unisys Philippines Ltd.

2019 outlook

- Continue Aboitiz InfraCapital's thrust to participate in the government's Build, Build, Build program
- Full blast construction of Apo Agua's bulk water facility, which is targeted to operate in the first half of 2021
- Secure approval from the national government to operate NAIA, BPIA, and Laguindingan Airport
- Complete RCBM's operational improvements and expansion projects that add 2 million tons of cement capacity
- Provide innovative infrastructure-related solutions for the water sector



our abc story

Building a stronger Marawi

The destruction brought by the Marawi conflict to Filipinos in Mindanao has left the lives of many in shambles.

To support the national government's Bangon Marawi efforts in the affected communities, Republic Cement launched its "Mindanao" special blended cement in 2018. The company pledged 1,000 bags of this cement line to aid in the reconstruction of houses and buildings. The product is less prone to thermal cracking, making it suitable for tropical weather conditions.

Republic Cement also donated hollow-block making kits to four cooperatives, namely May Ginhawa sa Ambolong Producer Cooperative, Guimba Hollowblock Producer Organization, Tapukan Farmers Movement for Progress and Concord, Inc., and the Kapamagogopa Multi-Purpose Cooperative. Technical training on hollow block making and product application will also be provided to these beneficiaries.

The donation was part of the "Kawiyagan-Biyaya ng Pagbabago" livelihood turnover activity, where the Aboitiz Foundation, together with Pilmico and Republic Cement, launched a number of sustainable livelihood programs for the residents of the Sagonsongan Transitory Site in Marawi City.



More than cement supply, Republic Cement provided hollow-block making kits and technical training to aid in building livelihoods for displaced residents of Marawi.

“Many families and communities have been displaced, with devastated homes and no livelihood to return to. Now is the time to rebuild. More than cement supply, we want to help the displaced citizen of Marawi to rebuild their lives.”

Nabil Francis

President, Republic Cement Services, Inc.

Giving our fellow Filipinos a new lease on life is at the core of Republic Cement’s thrust to build a stronger republic. By providing quality and locally made materials, the company helps reconstruct decent shelters for the Maranaos and restore a sense of normalcy to once conflict-torn communities.

“

Aboitiz has a way of thinking differently. We are encouraged to innovate, to encourage teamwork among our peers, to be responsible, and most of all, to want to excel with integrity. We here at AboitizLand, we don't just care about profit.

We care about the people, and we care about the future.

”

Mags Maguad
Marketing Manager
AboitizLand



LAND



We continue to create better ways to live through deliberately designed developments that nurture relationships and cultivate a sense of community.

For AboitizLand, 2018 was another banner year led by the remarkable performance of our industrial business unit, with significant contributions from our residential and commercial business units.

LiMA Land turned in a stellar performance, selling 43 hectares of industrial lots and introducing a new commercial component, The Outlets at Lipa, to its integrated mixed-use township project. To further solidify the township concept, we are launching The Villages at Lipa, a 49-hectare residential community, in early 2019.

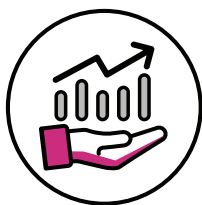
Our other industrial communities, Mactan Economic Zone II and West Cebu Industrial Park, continued to drive economic activity in their respective localities and provided a steady revenue stream to our industrial business unit.

For our residential business unit, our efforts to go national went full swing in 2018. Seafrost Residences, our second-home community located in San Juan, Batangas, continued to perform remarkably. Capitalizing on its brisk sales, we launched Phase 2 of the project and introduced a low-rise condominium product, Seafrost Villas — both ahead of schedule. In addition, we launched our flagship mid-market brand Ajoya in Capas, Tarlac, and Cabanatuan, Nueva Ecija.

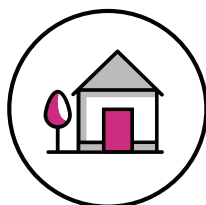
Encouraged by the robust demand in the mid-market segment, we look forward to introducing new Ajoya communities in 2019. In Cebu, we continued to increase our presence by launching new phases at Amoia and Priveya Hills, while starting site development works for the first phase of Foressa Mountain Town.

Our commercial business unit marked a major milestone in 2018 when we opened our first commercial development in Luzon. Just over an hour's drive from Manila, The Outlets at Lipa is the country's largest outlet shopping

METRICS THAT MATTER



**PHP
645 million**
income contribution
to AEV



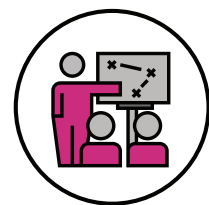
**More than
23,000**
vecinos who call
AboitizLand their home



60,475
average daily footfall in
our commercial
communities



65,666
workers inside
our industrial parks



1,030
beneficiaries trained
for skill development

“

We have always been driven to create better ways to live through carefully-curated and master-planned communities. Anchored on the Aboitiz Group's purpose of Advancing Business and Communities, we at AboitizLand are focused not only on enhancing land but also in enriching lives. In all our endeavors, we want to stay true to our promise. While keeping in mind the interest of our vecinos, we also constantly go beyond the physical building of residential, commercial, and industrial developments to push for sustainability and economic advancement.

”



Erramon I. Aboitiz
President and CEO
AboitizLand



LiMA Technology Center is LiMA Land's 469-hectare estate located in Lipa-Malvar area, strategically situated at the heart of the CALABARZON region.

mall and promises to deliver an all-out lifestyle experience with its mix of retail, dining, and entertainment offerings. It also houses the Aboitiz Pitch, the largest synthetic grass multi-sports field in the country with a playing surface of 106 meters by 92 meters.

In Cebu, our commercial communities continue to experience high levels of occupancy and healthy foot traffic. The Outlets at Pueblo Verde in Mactan remains fully occupied, further strengthening its position as the premier outlet mall development in Cebu. It currently carries 60 fashion and sports brands, complemented by a number of restaurants, services, a supermarket, and offices within the Pueblo Verde commercial community.

In 2018, AboitizLand contributed a consolidated net income of PHP645 million to AEV, a decrease of 13% from the PHP744 million contribution in 2017. Despite the decline in net income contribution, mainly due to the recognition of fair valuation gains on investment properties in 2017, the company recorded notable improvements in operating performance. Revenues hit PHP4.0 billion for the year, an increase of 9% from the previous year. This top-line increase, coupled with sustained margins, translated to a net operating profit of PHP1.0 billion, an 85% increase from PHP553 million of the previous year.



Our Strategy

Over the span of two decades, AboitizLand's industrial parks have continued to serve as key hubs for economic activity. With our expertise, we look to further capitalize on these hubs not only by expanding our industrial footprint, but also by developing recurring businesses and residential communities adjacent to our industrial areas. Through this approach, we aim to transform these industrial spaces into thriving townships.

Having made strides in 2018, we will maintain our goal to grow our nationwide presence in the residential space. By continuing to improve efficiencies, deliver repeatable, yet well-crafted products that cater to the middle-income market, we will leverage on the sustained demand for homes in key cities. To further capture the residential market, we will explore potential opportunities in the vertical development space.

We also plan to strategically develop commercial spaces that will enhance our current communities. By doing this, we will be able to maximize our value footprint in these areas while concurrently servicing the needs of the community. Furthermore, the continued relevance of and our successful track record in traditional retail formats give us a positive outlook for The Outlets at Lipa, our largest commercial project to date.



David L. Rafael
Incoming President and CEO
AboitizLand

2018 milestones.



- Recorded a net income contribution to AEV of PHP645 million
- Exceeded target for industrial lot sales by selling 43 hectares at LiMA Land
- Continued national expansion by introducing flagship mid-market brand, Ajoya, in Capas and Cabanatuan
- Capitalized on strong residential demand by launching new phases at Seafront Residences, Amoa, and Priveya Hills
- Sold out Almiya and The Persimmon Studios
- Achieved increased construction progress in top-selling developments
- Opened The Outlets at Lipa, the country's largest outlet mall and AboitizLand's first commercial project in Luzon
- Maintained full occupancy of Cebu commercial assets, with notable increases in in merchant sales from the previous year

2019 outlook

- Capitalize on industrial demand by selling LiMA Land aggressively and continue to expand the industrial park
- Build the recurring income business in and around our industrial communities
- Continue the national expansion of the residential business by launching three projects – The Villages at Lipa in Batangas, and Ajoya in Pampanga
- Explore alternative real estate formats to maximize value of existing land assets
- Capture opportunities presented by current trends in co-living/co-working spaces in urbanized areas
- Explore opportunities presented by current administration's build build build program by positioning in new emerging cities



our abc story

Building

better lives through training skills

More than developing land and building homes, we also uplift lives as we commit to deliver on our brand promise.

Since 2009, we have been addressing issues to help alleviate poverty in areas where we build our communities. Through the Purposive Skills Training Program, we work with local government units and TESDA to empower individuals as they seek better employment opportunities. This initiative aims to equip participants with a useful skill set to help them thrive in an unstable job market. To date, a total of 116 graduates have already landed decent employment soon after completing the Carpentry NCII and Tile-Setting NCII certifications.

To help narrow the unemployment gap in various sites where we are located, we have reached out to residents of Liloan, Balamban, and Cebu City. Some graduates in these communities have filled the manpower



Graduates of AboitizLand's Purposive Skills Training Program will be conferred with NCII status after assessment by TESDA.

requirements of contractors of our horizontal projects specifically in Almiya and Amoa. In 2018, 25 graduates in Cebu were given employment.

In Luzon, we started the training program in Brgy. Calubcub 2, San Juan, Batangas – the home of our first residential venture outside Visayas. To sustain this effort, we will implement two other vocational courses in 2019. Beyond the technical learnings, the competencies acquired by the students allow them to bring hope and aspire for a better future for their respective families. This is what truly makes our efforts even more worthwhile.

“

We don't just
give, we enable.

That's one of the beliefs of Aboitiz, which is my belief as well. When I see the classrooms, visit the cooperatives and projects, it makes me happy that all of my efforts are not just about processing payments and paperwork. Our efforts are leading somewhere and I see that the Aboitiz Foundation is true to its commitment to help others help themselves.

”

Honey Fe Narra
Senior Accountant
Aboitiz Foundation



Corporate Social Responsibility



The role of corporate social responsibility (CSR) in doing business has received heightened attention in recent years, with more companies integrating CSR into their core business practices.

In the last two years, we in the Aboitiz Group have been working on finding more innovative and strategic ways to create long-term value for all our stakeholders. This strategic transition from corporate philanthropy to creating shared value has been changing the way CSR projects are developed and implemented across the Group.

We aim to create more lasting and meaningful impact as we continuously commit to co-create safe, empowered, and sustainable communities.

Aboitiz Foundation

In 2018, we continued to drive change in the way we do CSR within the Aboitiz Group. We became more active and participatory in cascading the integrated approach to CSR, enhancing the Group's brand and reputation, and building organizational capacity. We also opened more opportunities for healthy discourse to increase collaboration across the Group and facilitate linkages.

In early 2018, we conducted the Regional CSR Roadshow to explore convergence opportunities and identify priority projects that are solution-focused, area-based, sustainable,

and are truly responsive to the needs of our host communities.

Towards the end of the year, we celebrated 30 boundless years of uplifting lives through the first Aboitiz Advancing Business and Communities (ABC) Summit, which gathered the Group's top leaders and our key partners. The event showcased how we have woven sustainability and CSR into our core businesses – power, banking and financial services, food, infrastructure, and land. It was also a venue for our CSR teams to rapidly and radically think about CSR beyond the usual.



Team members planted about 86,000 seedlings across 21 planting sites all over the Philippines during the annual Aboitiz Groupwide Simultaneous Tree Planting, with plans to plant more trees in the coming months as part of the A-Park program.

“

The Aboitiz CSR Group continues to transition into an integrated CSR strategy that encourages meaningful collaborations and resource sharing across the Aboitiz Group.

We move forward in driving this process of integration, nurturing partnerships, and building capabilities of our people, our host communities, and local governments, and implementing holistic CSR projects.

We remain confident in bringing the Group’s CSR to greater heights as we focus on programs that create shared value and truly advance business and communities.

”

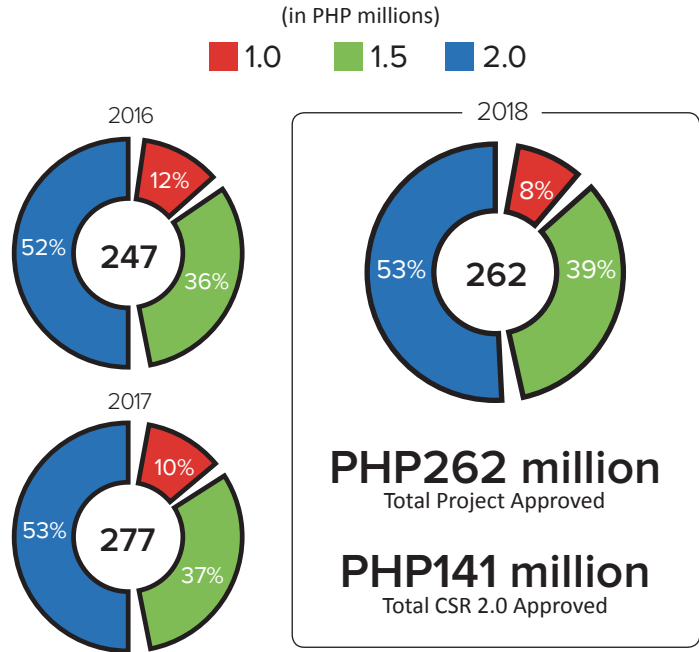


Susan V. Valdez
President
Aboitiz Foundation and
WeatherPhilippines

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Achieving CSR 2.0

(Percentage based on amounts of approved projects)



Guided by our CSR 2.0 parameters, we advocate scaled-up projects that go beyond traditional dole outs. We work hard to ensure that our projects are aligned with the Group’s core competencies and that our CSR program pillars are scalable nationwide, encourage team member engagement, and deliver long-term benefits to the communities and beneficiaries we serve. We continue to succeed in this advocacy as more than half (53%) of our CSR projects achieved CSR 2.0 status in 2018.

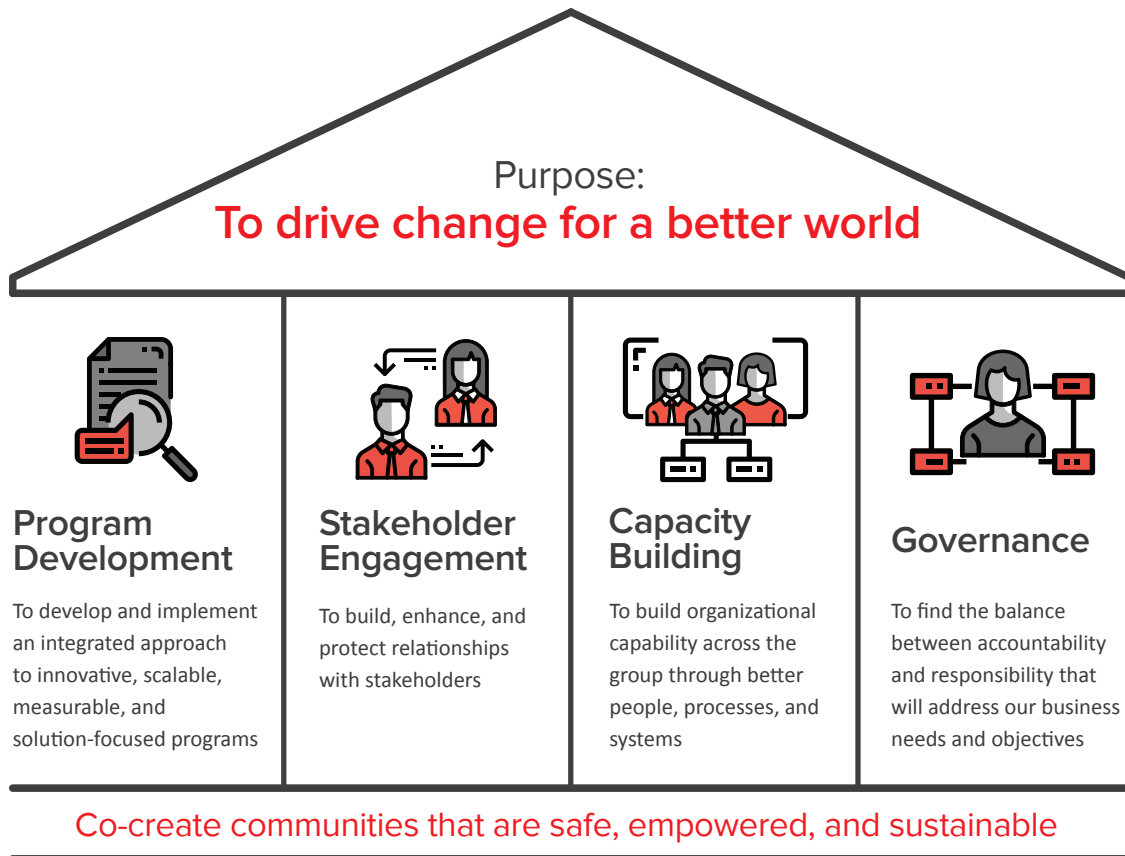
Together with our business units, we helped 998,646 beneficiaries, giving them a fresh source of positivity and strength.

On top of the Aboitiz Foundation’s budget of PHP262 million, our business units directly spent PHP121 million on various projects aligned with our program pillars.

We will continue to help more communities lead more inspiring and empowering lives through our CSR projects and activities.

Strategic Pillars 101-125

We remain anchored on our core values of integrity, teamwork, innovation, and responsibility as we contribute to the Group purpose of driving change for a better world by advancing business and communities.



Program Development

A few years ago, we began our transition to an integrated approach to CSR and rallied Aboitiz business units to maximize the Group’s collective capacity for greater and inclusive impact. We continue to focus on the areas of education, enterprise development, and environment while implementing this holistic strategy.

In 2018, we made a definitive move to harness resources and direct the path towards achieving our collective CSR goals. These goals include but are not limited to: (1) bridging education to employment, (2) disaster resiliency, (3) environmental conservation,

(4) organizational leadership and capability building for enterprises that contribute to wealth creation and social good, and (5) self-reliance of individuals.

Stakeholder Engagement

In 2018, we worked closely with our partners in both the public and private sectors. We actively participated in the key initiatives of our partners: League of Corporate Foundations, Association of Foundations, Philippine Disaster Resilience Foundation, Philippine Business for Social Progress, Go Negosyo, and Ramon Aboitiz Foundation, Inc.



Maribeth L. Marasigan

COO
Aboitiz Foundation
WeatherPhilippines
and Weather Solutions



Jojo Z. Marasigan

General Manager
Weather Solutions

Together with the WeatherPhilippines Foundation, we forged partnerships with the University of the Philippines Nationwide Operational Assessment of Hazards and the Department of Science and Technology – Philippine Institute of Volcanology and Seismology for our series of community-based disaster resilience training sessions.

Capability Building

We further invested in developing the capabilities of our team and our business unit CSR partners. To align with the Aboitiz Group's digital transformation journey, we sought more innovative ways to equip our people and improve our systems and processes. Through our project management system ACROSS (Aboitiz CSR Resource and Online Servicing System), we are able to better serve our partners.

As part of this digital journey, we seek ways to use technology for social good. In 2018, we launched KINDer, a crowdfunding platform that offers a more convenient way of donating to various causes and promoting CSR projects. From creating awareness on KINDer to supporting various social causes that speak to our hearts, we hope to advocate a collective effort towards social progress and build #KinderEveryday ambassadors.

Governance

Guided by our Board of Trustees, we continue to live up to being a reputable and trustworthy corporate foundation that balances accountability and responsibility.

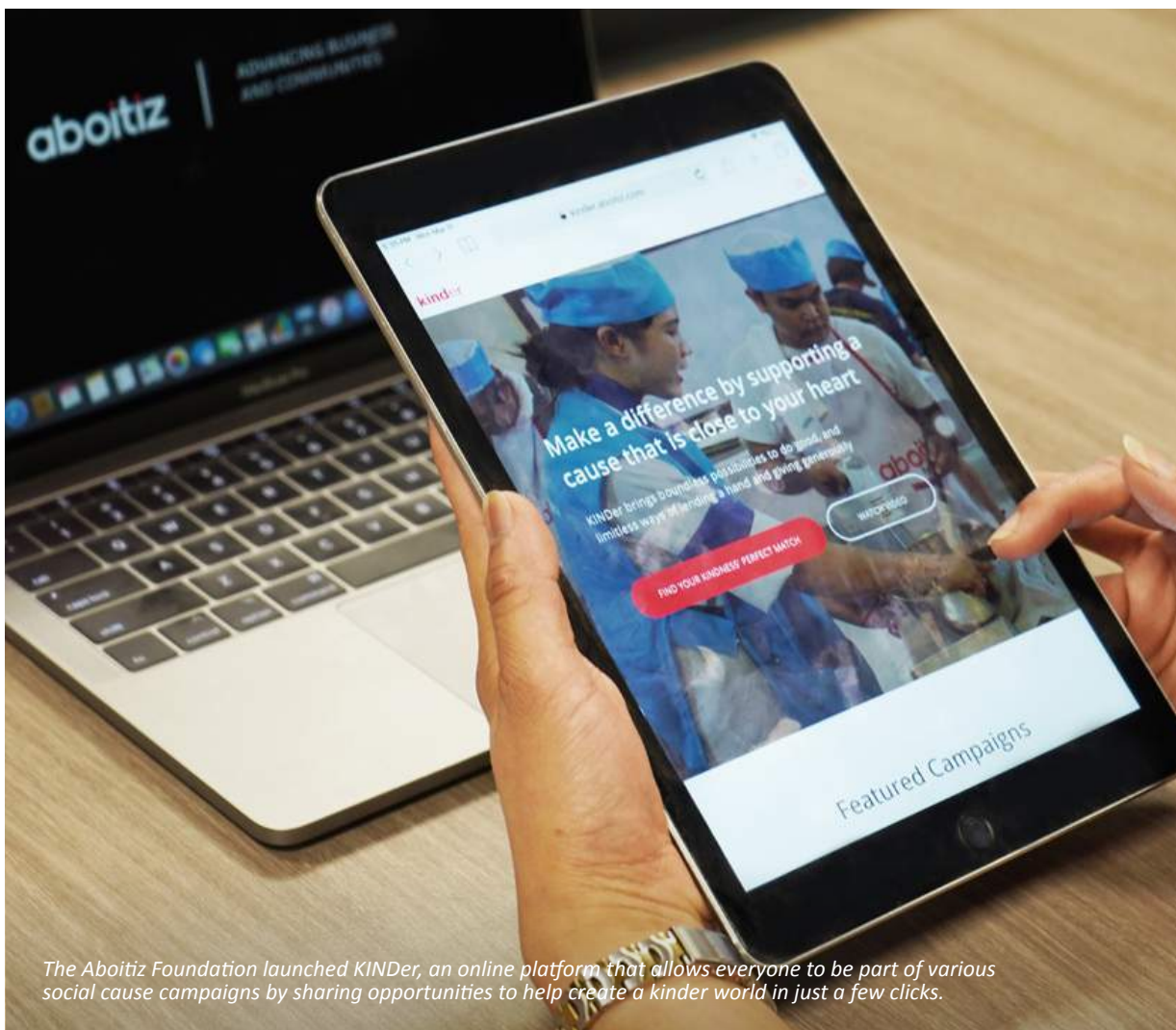
Advancing Business and Communities

Following the CSR strategic direction set the previous year, we maintained our momentum throughout 2018 and moved forward to implement integrated, inclusive, holistic, and solution-focused programs.

As we closed 2018, we formally launched the Integrated CSR (ICSR) strategy that we define as a localized, needs- and resource-based approach in co-creating safe, empowered, and sustainable communities. Our stakeholders, led by our business units,

share and complement each other's resources and expertise to deliver a mix of interventions in our focus area.

We continue to pursue alignment of our goals with the United Nations' Sustainable Development Goals (SDGs) and the Philippine Development Plan to respond to larger and global concerns on education, poverty reduction, climate change, responsible consumption, disaster risk preparation, and multi-sectoral partnerships.



The Aboitiz Foundation launched KINDer, an online platform that allows everyone to be part of various social cause campaigns by sharing opportunities to help create a kinder world in just a few clicks.

Education Program: Bridging Education to Employment

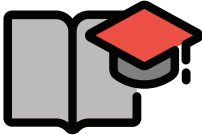
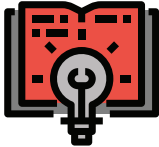


Since the inception of the Aboitiz Foundation in 1988, we have been investing heavily in projects designed to provide access to quality education in the Philippines. Working with various schools, training institutions, the Department of Education, and various organizations, we execute strategic and purposive education programs to ensure that we produce deserving graduates and guide them to become productive members of the workforce.

To contribute to the United Nations SDG on quality education, the Aboitiz Foundation continues to invest in providing quality technical, vocational

and tertiary education, and financial assistance and scholarships. We also continuously work with our partners to build and improve learning facilities, provide advanced training programs for our assisted teachers, and conduct in-school feeding programs.

In 2018, we alloted PHP191 million or 45% of the Group’s total CSR budget on education-related projects. Our goal is to provide access to holistic and inclusive quality education that will result to further education, gainful employment, and entrepreneurship.

Education

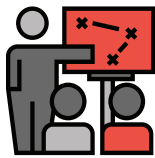
 <p>Scholarships</p> <p>240 College scholars supported</p>	 <p>Rewiring</p> <p>1,051 Classrooms rewired</p>	 <p>Development of Science Elementary Schools</p> <p>2 Science Elementary Schools supported</p> <p>9 Classrooms constructed/refurbished</p> <p>12 Teachers trained</p> <p>175 Equipment Sets donated</p>	 <p>Development of Tech-Voc High Schools</p> <p>17 Techvoc High Schools supported</p> <p>4 Classrooms constructed/refurbished</p> <p>5 Laboratories constructed/refurbished</p> <p>9 Teachers trained</p> <p>4 Equipment Sets donated</p>
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Enterprise Development: Uplifting lives through sustainable livelihoods and enterprises

Through our enterprise development program, we empower cooperative members with effective organizational management and technical skills, financial and infrastructure support, and access to market to help grow and expand their businesses.

Addressing the United Nations SDG goal on decent work and economic growth, we allocated PHP41 million from our 2018 group total CSR budget of enterprise development projects that benefitted 7,160 individuals and supported 37 cooperatives nationwide.

Skills Training



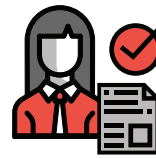
180

Individuals trained on livelihood skills



98.5%

Passed National Certification II assessment of TESDA



87%

Individuals employed or with business



Aboitiz Foundation helps nurture future talents by providing scholarships to deserving high-school and college students.

Environment: Conserving vital ecosystems and cultivating environmental stewardship

To advance our advocacy on sustainability, we partner with Aboitiz business units and our Sustainability and Corporate External Relations teams to develop and implement projects that protect the environment. Our vision is to create self-reliant communities by raising awareness on disaster resilience and preparedness, responsible consumption, and waste management.

Our environment initiatives include the A-Park, the Aboitiz Cleanergy Park, and Race to Reduce programs aligned with the United Nations SDGs on climate action, life below water, and life on land. In 2018, we began working with the Department of Environment and Natural Resources and the Department of Tourism to rehabilitate Boracay's Wetland No.4 over the next three years.



The Aboitiz Group's rehabilitation and development of Boracay Wetland No.4 is a three-year project that will convert the one-hectare lagoon into a "linear urban park".



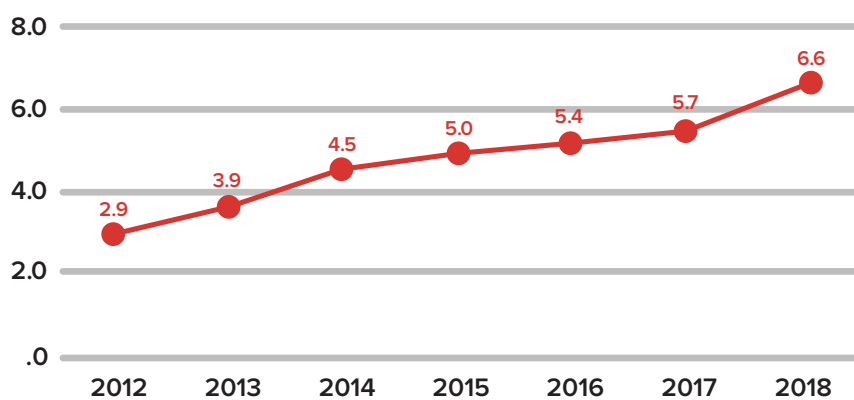
Participation by our team members in our CSR activities continues to grow. In 2018, nearly 4,000 team members joined the annual Groupwide Tree Planting Program. To date, we have planted 6.6 million trees, or 73% of our 2020 target of nine million.

The Aboitiz Cleanergy Park in Davao City and the Aboitiz Cleanergy Center in MakBan act on

the Group's commitment to inform, educate, and engage the public on the importance of taking care of our planet. The Cleanergy Park, a model of urban-based biodiversity conservation, provides a sanctuary to the critically endangered Hawksbill turtle, and a host of other marine and bird species. The Cleanergy Center is an interactive museum that promotes the use of renewable energy.

A-Park

Cumulative Trees Planted

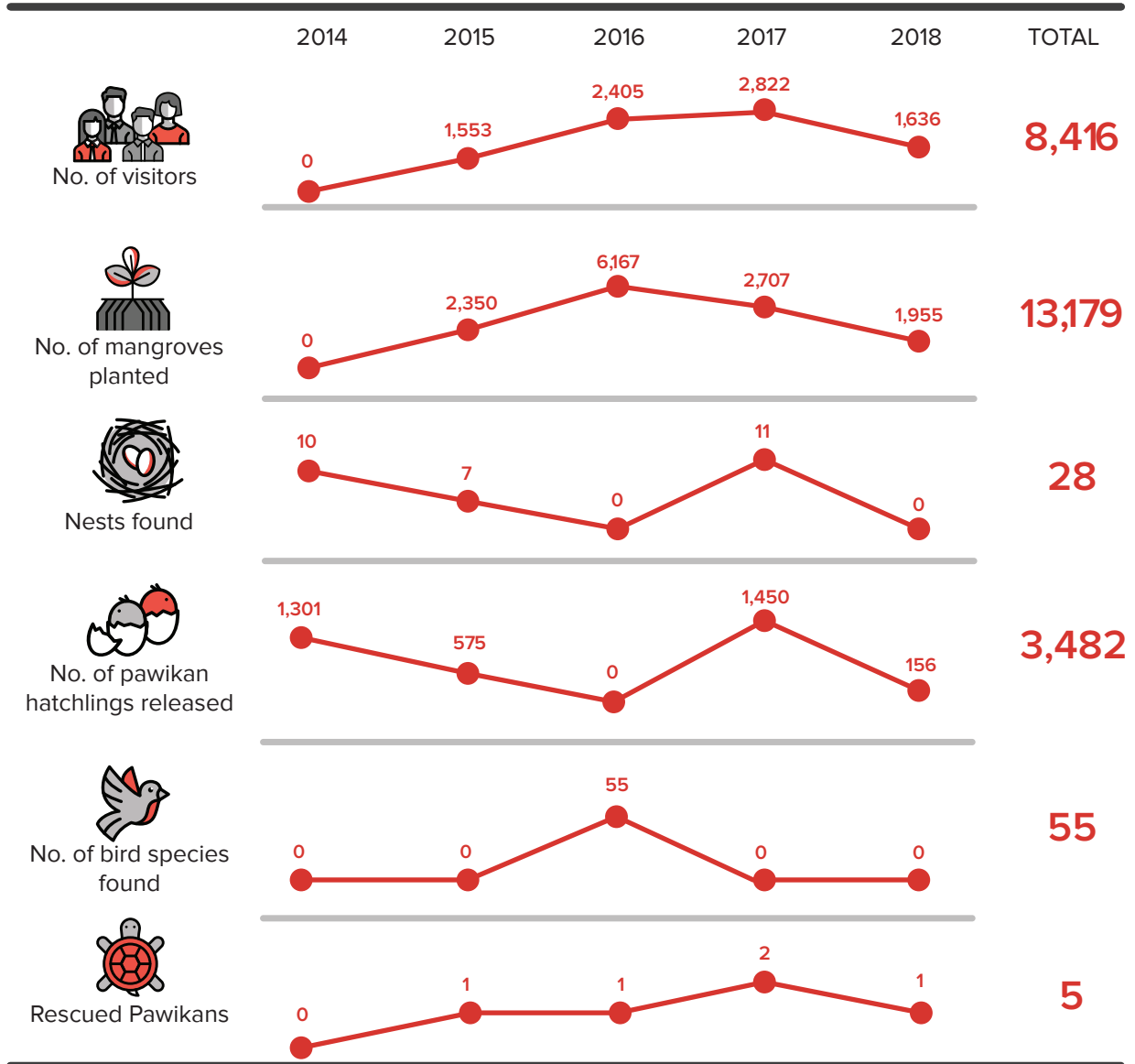


As of 2018, the Group is at 73% of its 9 million trees planted by 2020 target.



Cleanergy Park

Punta Dumalag, Davao



Seafront Residences, Batangas



Disaster Relief Efforts in 2018



14,295

Families provided with relief packs (food and non-food)



311

Team member volunteers



PHP8.8 M

Spent for disaster relief



24,636

Customers benefiting from re-energization

Team Members



1,484 Aboitiz Group team members from various business units as well as 948 external volunteers came together and painted desks, planted seedlings, and covered textbooks in public schools nationwide as part of the Aboitiz Group's 10th annual Brigada Eskwela.

Our passion to serve inspires us to work harder in reaching out to our host communities and others in need. To further increase our team member engagement, we organize interactive

activities such as the Christmas Outreach program, Simultaneous Tree Planting, Brigada Eskwela, and team member-initiated fundraising activities, among others.

WeatherPhilippines, Weather Solutions: Working towards building a #WeatherWiser Nation

Through the years, we pursued our goal to build a #WeatherWiser nation through our strategic pillars of technology, stakeholder engagement, and communication.

The enhancements we made in our technology initiatives enabled us to provide more relevant weather information. We also embarked on more active engagements with our stakeholders by organizing program-based initiatives and implementing wider-reaching communication campaigns.

We made more progress by expanding our network of partners, educating our communities and local governments, and providing top-of-the-line weather services to the public.

Through the help of our platinum and gold sponsors, as well as our service partners, we ensure the sustainability and relevance of what we do for our stakeholders. Together with Weather Solutions, we continue to provide businesses and communities with relevant, localized, and timely weather information.

We established Weather Solutions in 2017, the first weather-centric social enterprise in the Philippines. Through this enterprise, we aim to create a platform that provides historical and real-time data as well as forecasting and consulting solutions to clients and partners who seek to enhance their operations with relevant, hyper-localized, and customized weather data and services.

In 2018, Weather Solutions released the latest weather app, WeatherPH, which gives a 7-day relevant and localized weather forecast. We also started using satellite communication for AWS data transfer and created a more stable AWS stand-alone power system with new sets of solar panels, controllers, and batteries.



In 2018, Weather Solutions released its mobile app "WeatherPH" which gives a 7-day localized weather forecast.



WeatherPhilippines maintains 756 Automated Weather Stations plotted across the country.

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Sponsors

Platinum Sponsors



Gold Sponsors

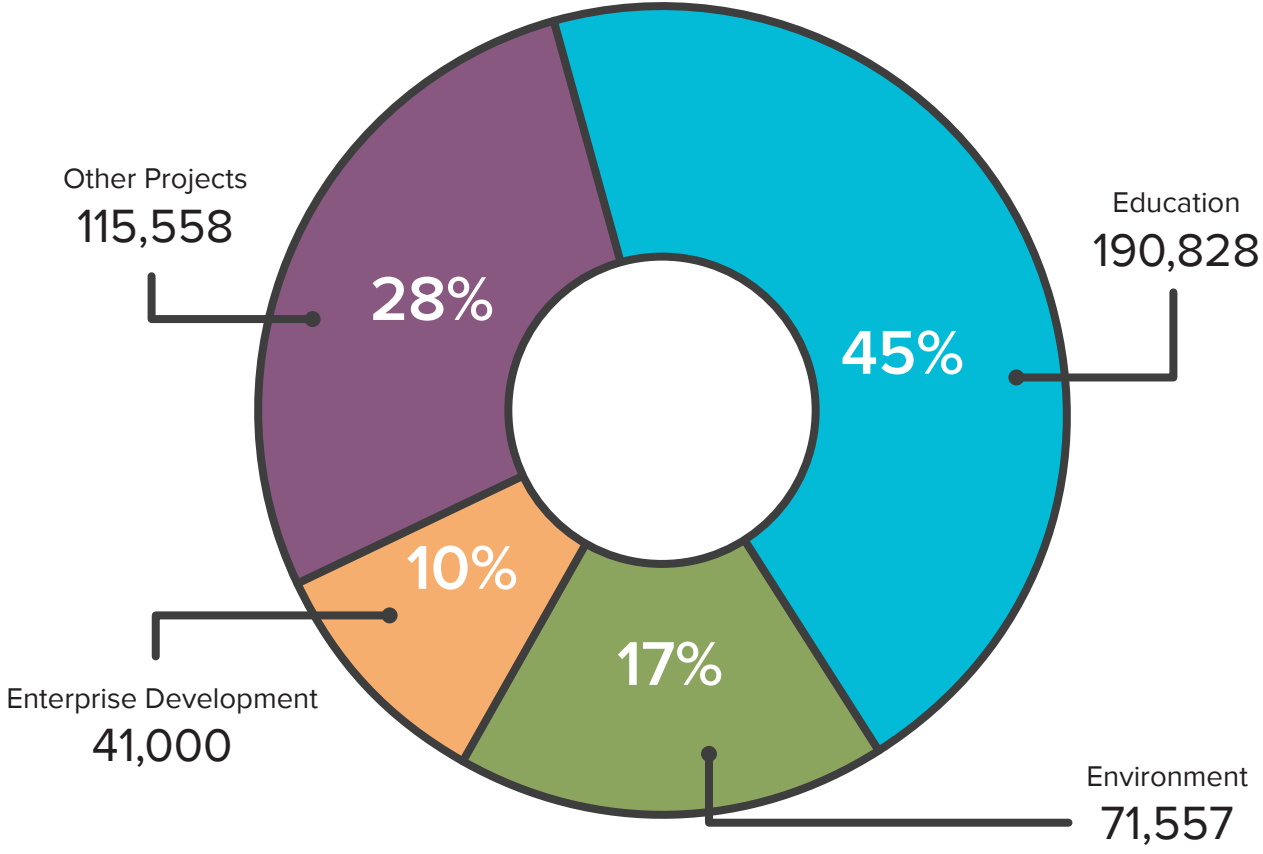
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|-------------------------------|--------------------------------|--------------------------------------|
| • AboitizPower | • Hedcor | • Syngenta |
| • AboitizLand | • Manila Polo Club | • The Net Group |
| • Anvaya Cove | • Philippine Airlines | • Visayan Electric Company |
| • Aviation Concepts Logistics | • Shell | • CitySavings |
| • Cebu Power | • Republic Cement | • Pico de Loro Beach and County Club |
| • CEMEX | • San Miguel Corporation | • Sem-Calaca Power Corporation |
| • Crystal Sugar Company, Inc. | • Sarangani Energy Corporation | • Source Telecoms |
| • Davao Light | • SN Aboitiz Power Group | |
-

CSR Financial Highlights

The Aboitiz Group allocated PHP419 million for our corporate social responsibility (CSR) projects in 2018. This includes the amount spent by the Aboitiz Foundation and the business units (BUs) for their direct CSR spending.

Aboitiz Group Initiatives

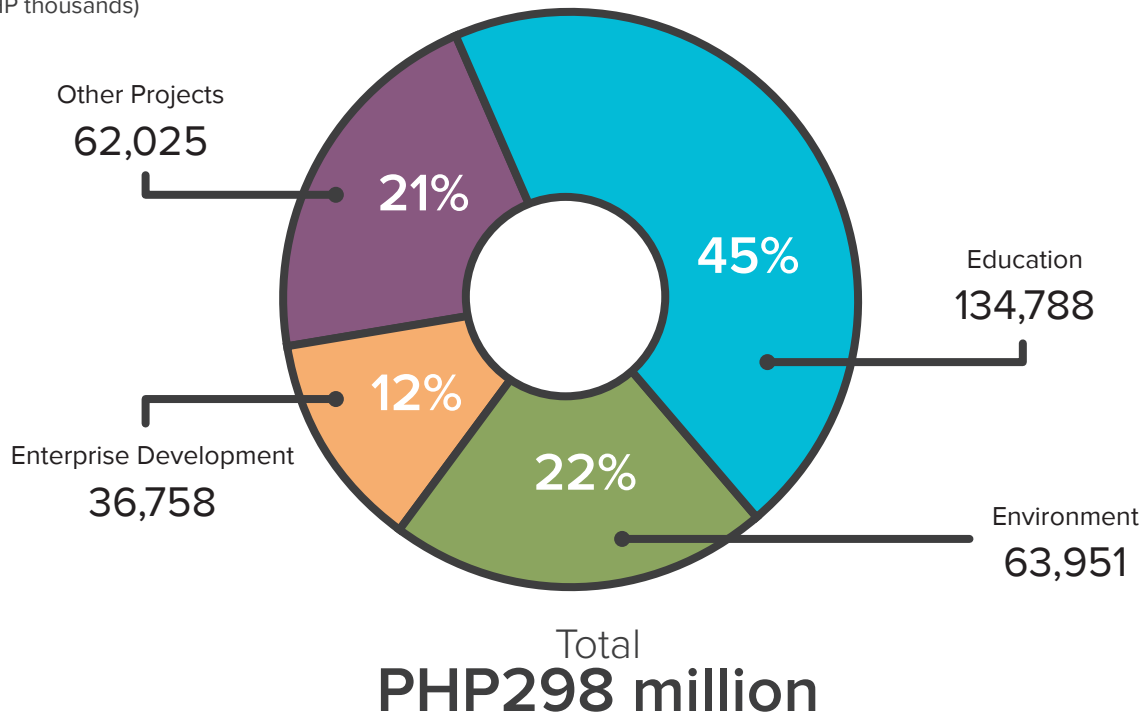
(in PHP thousands)



Total
PHP419 million

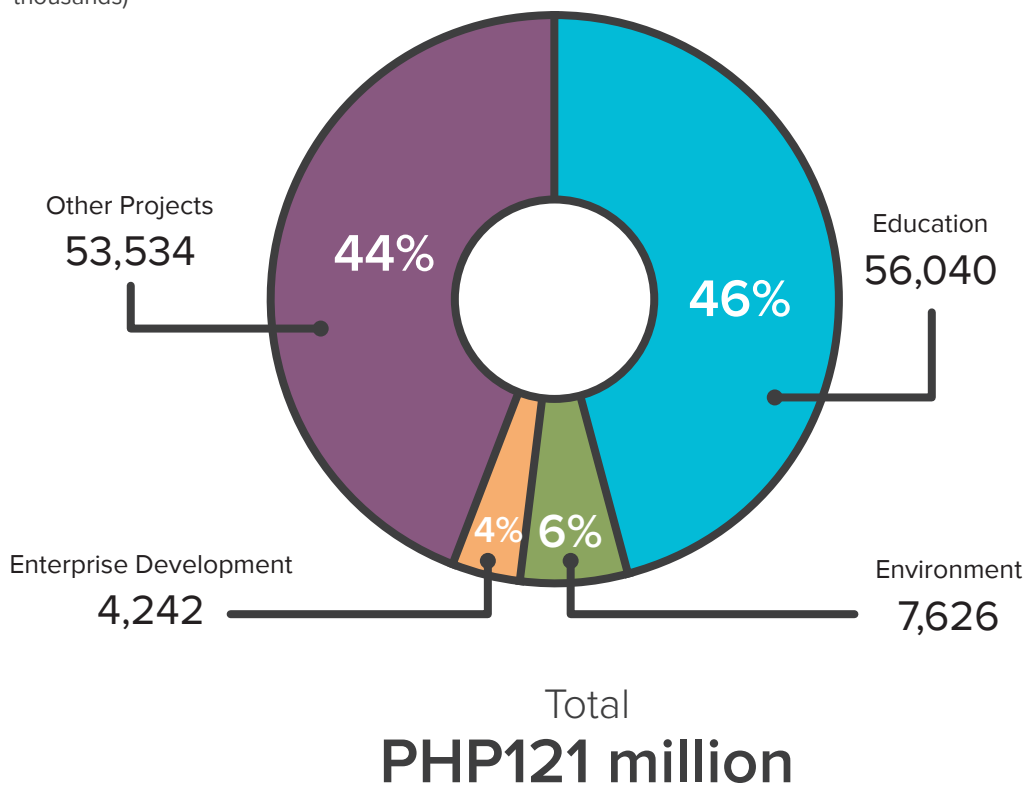
Aboitiz Foundation

(in PHP thousands)



Business Units' Direct CSR Initiatives

(in PHP thousands)



2018 milestones



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Aboitiz Foundation

- Organized the first Advancing Business and Communities (ABC) Summit that highlighted the ABC stories and sustainability initiatives of various business units
- Introduced the Integrated CSR Strategy to increase reach, scale, and impact
- Created KINDer, a crowdfunding website that provides a platform to call for donors and supporters, in celebration of the Foundation's 30th anniversary
- Partnered with the WeatherPhilippines Foundation, University of the Philippines Resilience Institute, University of the Philippines Nationwide Operational Assessment of Hazards, and the Philippine Institute of Volcanology and Seismology for the pilot rollout of the Community-Based Disaster Risk Reduction and Management training sessions in select communities
- Conducted the annual CSR Roadshow and quarterly CSR 101 sessions
- Actively engaged in activities with public and private sector partners, among them, the Philippine Disaster Resilience Foundation, Philippine Business for Social Progress, Ramon Aboitiz Foundation, League of Corporate Foundations, and the Association of Foundations
- Maximized digital platform to increase internal and external engagement

WeatherPhilippines Foundation

- Converted AWS with 2G/3G data loggers to satellite IsatData Pro (IDP) through a JPY2 million grant aid from WxBunka Foundation, which will ensure weather data reliability in priority meteorological sites
- Integrated Manila Observatory's 66 AWS with the WeatherPhilippines system to expand local observation network
- Through Weather Solutions, established an application program interface that can be integrated with any platform to create mobile apps or websites with weather information
- Trained 1,901 teachers, students, farmers, and community members, bringing the total number of Weather 101 and Tropical Cyclone 101 beneficiaries to 6,982

- Partnered with CitySavings to strengthen the Department of Education’s disaster resilience program in schools
- Collaborated with Knowledge Channel to promote disaster resilience among schools by providing #WeatherWiser education materials
- Partnered with the Agricultural Training Institute of the Department of Agriculture to jointly formulate, prepare, and implement programs and projects that will strengthen the capacities of agricultural communities through the use of localized weather information
- Conducted flagship training programs for media partners such as the ABS-CBN News Channel and other local media organizations
- Received the Silver Anvil Award for Specialized Public Relations from the Public Relations Society of the Philippines for the #WeatherWiser Nation campaign
- Won the Professional Excellence Award in the Communication Skills – Digital Communications category of the International Association of Business Communicators 16th Philippine Quill Awards for the #WeatherWiser Campaign Goes Digital entry

Weather Solutions

- Created industry-specific weather solutions for partners and clients, among them, SN Aboitiz Power (SNAP) for sustainable operations of their hydro plants; Philippine Red Cross for closing disaster risk reduction and management gaps; ABS-CBN News Channel for the use of weather data for broadcast; Meralco for the identification of critical weather data; and Packetworx for weather data improvement
- Released the latest weather app, WeatherPH, which gives a 7-day accurate and localized weather forecast
- Devised a customizable SMS alert system that sends text messages during severe weather events, available on demand
- Started using satellite communication for AWS data transfer and created a more stable AWS stand-alone power system with new sets of solar panels, controllers, and batteries



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2019 outlook



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Aboitiz Foundation

- Implement the integrated CSR strategy to reach scale and foster stronger collaboration among business units
- Ensure that the Regional CSR Councils are in place and operational, thus empowering business units to effectively implement integrated projects
- Implement the Business Continuity Plan towards resilient enterprises
- Streamline scholarship initiatives across the Aboitiz Group
- Continuously develop projects and training programs that are designed to build self-reliant and self-resilient communities
- Enhance KINDer and maximize more channels to increase donations
- Align with UN Sustainable Development Goals and the Philippine Development Plan
- Continuously develop a competency-based system to build the capabilities of CSR officers
- Explore ways to further improve systems and operating models through digitization
- Implement a CSR Officers Compliance Evaluation as part of the Foundation's transformation journey

WeatherPhilippines Foundation

- Ramp up efforts for more actionable program-based initiatives together with the Aboitiz Foundation and all partners to reach more businesses, communities, schools, and other stakeholders
- Utilize the KINDer platform to help generate donations

- Measure and quantify outcomes for the Weather for Education program
- Continue reaching more communities and organizations with the Community-Based Disaster Risk Management training sessions
- Work with the Agricultural Training Institute for the Weather for Agriculture initiative
- Together with the Aboitiz Foundation, implement advocacy communications campaigns to amplify efforts towards integrated corporate social responsibility

Weather Solutions

- Continue to help create more weather-resilient businesses
- Position Weather Solutions as a data-as-a-service (DaaS) provider; through a developer-centric website, users will have access to the weather platform and API
- Expand API where weather data is presented and spliced into various offerings that are relevant to the needs of clients and developer partners
- Launch the Asset Management System and the Service Report Online system to ease the monitoring and management of the AWS network and other hardware-related infrastructure and maintenance reports to increase efficiency
- Jumpstart international partnerships and offer high quality localized weather information and weather data solutions
- Establish new products such as lighting maps and weather dashboards, which are critical to industries



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our abc story

Agri-Entrepreneurship Development Program

Aboitiz is in partnership with the non-stock, non-profit Philippine Center for Entrepreneurship's Go Negosyo to mentor 200 Maranao farmers who produce yellow corn, and link them up with potential buyers.

Pilmico and the Aboitiz Foundation, together with Go Negosyo and Task Force Bangon Marawi, have rolled out a three-year micro-entrepreneurship partnership program for internally displaced persons (IDPs) in the Baloi, Lanao del Norte resettlement area. In its first year, the program organized the IDPs into the Marawi-Baloi Association (MBA). Members received training on entrepreneurial mind-setting, values formation, marketing management, business model canvas, basic accounting, financial management, and basic cooperative management. MBA members also participated in a learning exposure session where they visited a Bukidnon-based cooperative that is a partner-supplier of Pilmico for yellow corn.

"We realized that we can't stay in evacuation centers and just depend on relief assistance. We should go out and empower ourselves. We are very thankful for Go Negosyo, Aboitiz Foundation, and Pilmico for this opportunity. It definitely means we still have hope of rebuilding."

Abdari Ding Lininding
MBA President



Aboitiz Foundation and Pilmico have partnered with Go Negosyo and the government's Task Force Bangon Marawi to help displaced Maranao yellow corn farmers, particularly in enhancing their entrepreneurial skills through capacity building and mentorship.

MBA also established a 5-hectare corn farm with an intercropping of high-value crops. For its first harvest, the group produced 28 tons of yellow corn which passed Pilimico's quality standards and allowed them to become an accredited supplier.

Other partners include Jardine Distribution, which provided corn growing technical assistance, and the Department of Agriculture that provided farming training and tools.

After the success of the pilot project, MBA started to expand its farm area to 100 hectares. Meanwhile, Aboitiz began organizing them into a cooperative, which will strengthen their organizational capability and capacity to grow their agribusiness.

Moving forward, Aboitiz will provide further training programs and post-harvest facilities to equip them for consolidating corn produced by other farmers in Baloi.

our abc story

Improving lives with Weather for Agriculture

Despite the rapid increase in urbanization, the Philippines is still primarily an agricultural country. Farming practices, however, are location-specific, which means farming techniques in Isabela may not necessarily be the same in Bukidnon. This establishes a need for highly localized data to help farmers mitigate crop losses during extreme weather conditions. Consequently, the availability of accurate weather knowledge also increases the farmers' agricultural productivity through technical capabilities.

Weather forecast for farming practices

Hazel Grace Septimo-Evangelista, a subscriber on WeatherPhilippines' Facebook page, benefits a lot from being #WeatherWiser.

"Nakakatulong po talaga ang information na galing sa WeatherPhilippines. Humihingi kami ng advice tungkol sa panahon para sa aming pagtatanim at nalalaman namin kung ano ang dapat gawin base sa mga sagot ng kanilang meteorologists kapag nagtatanong kami. (The information from WeatherPhilippines is really helpful. We ask for advice about the weather for our crops and farming, and their meteorologists let us know what farming decisions to take.)"

Hazel Grace Septimo-Evangelista
Libmanan, Camarines Sur resident

According to Hazel, they plant rice and are highly dependent on rainfall because their farm is not irrigated. She continuously asks for updates from WeatherPhilippines to know which farming decisions they could take, based on weather patterns and information that we provide.



Access to localized forecasts plays an important role in helping agricultural communities become more productive. Weather knowledge, such as rainfall data, impacts farmers' crop selection and irrigation planning.

Maximizing weather knowledge for agriculture

Farmers and agricultural small and medium-sized enterprises (SMEs) can definitely benefit from weather technologies and experts who fully understand weather conditions and can help interpret complex weather climate information.

WeatherPhilippines seeks to be a catalyst that will link farmers and SMEs to the weather technology and experts that could help them. To fuel this initiative, it has established a partnership with the Department of Agriculture-Agricultural Training Institute (DA-ATI), which is mandated to train agricultural extension workers and their beneficiaries, and to lead in the delivery of extension services for agriculture and fisheries.

Its partnership with DA-ATI will push for the creation of technology-assisted systems, the main goal of which is to generate relevant weather information for the agricultural sector. WeatherPhilippines will also be promoting the utilization of micro-weather conditions to facilitate site-specific agricultural decisions.

Fueling our passion for better ways

Stories like Hazel's inspire us to find better ways for our operations. Each life changed by our weather information shows that the use of our automated weather station (AWS) network and information channels is bringing us closer to our vision of helping build a #WeatherWiser nation.

our abc story

Improving disaster responses through strategic weather solutions

Over the years, its tropical cyclone vulnerability has placed the Philippines on the global map. About 9 to 10 storms make a direct hit anywhere from Luzon, Visayas, to Mindanao. According to a United Nations report in the aftermath of Super Typhoon Haiyan (Yolanda) in November 2013, the country was referred to as the most vulnerable to natural disasters. Having a large portion of our population living along the immediate coastlines increases vulnerability levels to the highest.

In 2018 alone, there were 10 significant storm-induced crises that left many communities grappling for much-needed assistance amid a wave of sea destruction and humanitarian challenges. Billions of pesos were spent on rehabilitation and disaster-resilient efforts to mitigate the harsh and the increasingly severe weather pattern over time. Overall, if not mitigated, this would translate to huge losses in several industries and would keep hurting the country's economic viability. For example, Philippine Red Cross (PRC) has encountered challenges before in their disaster related-operations. To level up its life-saving expertise during times of disaster, PRC sought the expertise of Weather Solutions so they can access highly accurate weather data.

PRC will use Weather Solutions data in its ongoing project, "Forecast-based Financing in the Philippines – Closing the Gap between Disaster Risk Reduction and Emergency Relief". The project relies on accurate forecasts to grant access to early funding for critical disaster risk and response initiatives. Weather Solutions provides PRC with



Weather Solutions' technology delivers critical data, which helps humanitarian agencies like Philippine Red Cross gain access to early funding to support disaster risk and response initiatives.

highly accurate weather information so that before a weather disaster strikes, they already know what areas will be most affected. This way, they can prepare the necessary logistics for relief and rescue operations, and the humanitarian consequences of extreme natural events among high-risk populations is reduced.

Current disaster risk and response in the Philippines is hampered by several challenges relating to lack of data. By working with Weather Solutions, PRC will be able to provide detailed analyses of existing weather forecasts for extreme weather events.

“Weather Solutions seeks to address the weather needs and fill in the information gaps of businesses and communities, especially the disaster risk projects being implemented in the country. We are glad to be a part of this endeavor and ensure that Philippine Red Cross and its constituents get the best and most accurate weather data possible”.

Jojo Marasigan
President, Weather Solutions

Management Approach

Driving a Culture of Values

In this section, we share with you our approach to business and how our purpose adds another dimension to why and how we do things. Detailed information is in the AEV Annual Report 2018 Form 20-IS filed with the Philippines' Securities & Exchange Commission.

In 2018, we in the Aboitiz Group focused on big-ticket projects in support of our growth initiatives, from investing to meet infrastructure demand, to providing innovative solutions to empower small businesses. Our strategic business units (SBUs) remain focused on building the foundations that advance business and communities.

With our unique culture and strong set of values, we will continue to evolve and expand our businesses beyond our borders. It will be important for us to retain

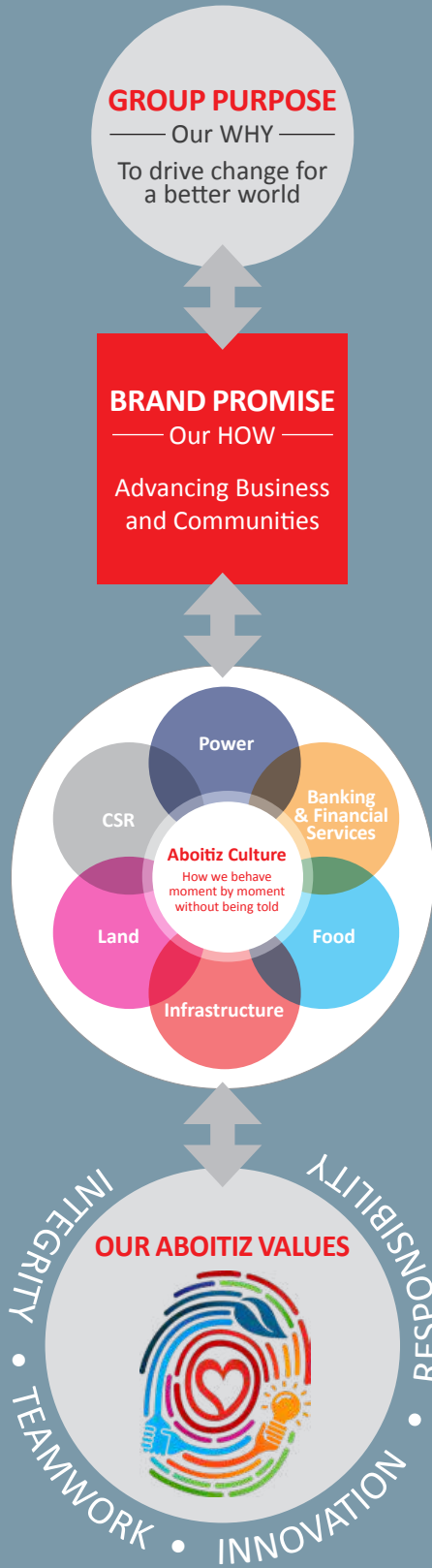
the best of a successful past 100 years while making adjustments in what we do and how we do it to future-proof Aboitiz.

We have always believed that we can do well by doing good, always making the right long-term decisions that balance the interests of people, planet, and profit. We are committed to a mindset that views sustainability not as a cost of doing business but as a way of doing business. Sustainability is an integral part of our business strategy.



Pilmico regularly holds a 'Market Day' sale at the Taguig corporate office, giving A-People the opportunity to both sell and buy an assortment of fresh meats, fruits, and vegetables as well as ready-to-eat food at friendly prices, with part of the proceeds allocated for the annual Christmas outreach activities.

The Aboitiz Way



For over a century, we have been building the Group’s legacy of core values, behavior, and beliefs that shape The Aboitiz Way, our unique culture nurtured and strengthened over generations.

Every action and every decision we make are anchored on our time-honored values of integrity, teamwork, innovation, and responsibility. These values live through the distinct behavior and traditions in our various business units to form the Aboitiz culture.

Our values and culture keep us firmly focused on fulfilling our purpose and brand promise to drive change for a better world by advancing business and communities.



More than 86,000 seedlings were planted across 21 planting sites by 3,600 volunteers during the 2018 Aboitiz Groupwide Simultaneous Tree Planting.

Our Values

The Aboitiz core values of integrity, teamwork, innovation, and responsibility are manifested through our daily actions and decisions as we drive change for a better world by advancing business and communities. These values are the bedrock of our culture, the Aboitiz Way, which is our unique way of doing things that has been the primary element to our business success for over 100 years. We seek to continually strengthen this culture as we work towards a future-proof Aboitiz.

Our Inputs

Financial Capital

Human Capital

Intellectual Capital

Social and Relationship Capital

Our Value Creation as a Holding Company

Power

We advance business and communities by providing ample and reliable power supply at reasonable and competitive prices, while integrating social development and environmental stewardship into our business operations.

Banking and Financial Services

We advance business and communities by elevating lives and fulfilling dreams through smart banking.

Food

We advance business and communities by providing solutions and building partnerships for growth.

Infrastructure

We advance business and communities by providing innovative infrastructure solutions.

Land

We advance business and communities by helping people live better lives by building deliberately designed residential, commercial, and industrial communities.

Corporate Social Responsibility and Social Enterprise

We advance business and communities by co-creating safe, empowered, and sustainable communities.

Our Group Strategic Pillars

Our SBUs align to the Aboitiz Group strategic pillars, namely: grow the business, stakeholder engagement, build human capital, and execution excellence.

In growing the business, we find investments that make sense to us, cover our cost of capital, are within our risk parameters, and create added value.

It is fundamental that both our shareholders and stakeholders benefit from our

value creation efforts. We continuously engage with all our stakeholders so they may also progress as our businesses grow.

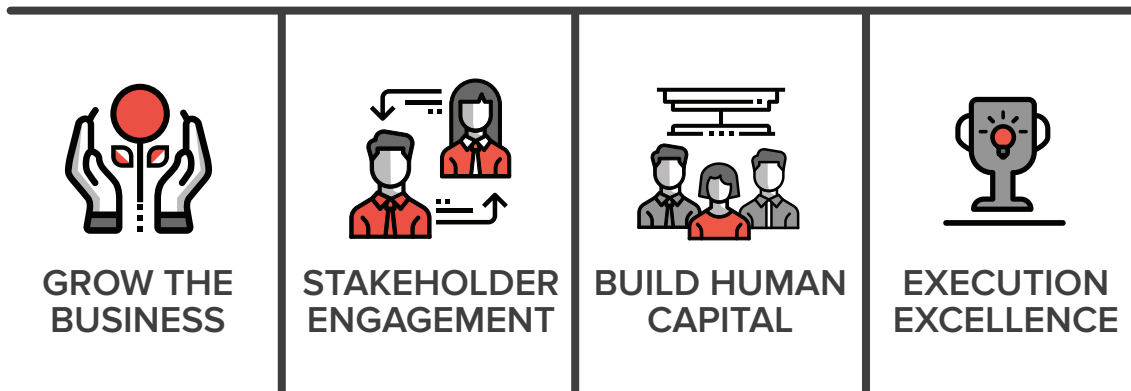
Attracting, optimizing, and retaining top-caliber professionals, who will help us manage our business and upgrade the Group's capabilities and skills, are crucial to our success.

We execute our plans in a timely and effective manner, employing best-in-class systems and processes to sharpen our competitive edge.

Group Strategic Pillars



Strategic Pillars



Core Values



Sustainability is at the core of our growth strategy, anchored on our philosophy that we can do well by doing good, always making the right long-term decisions that balance the interests of people, planet, and profit.

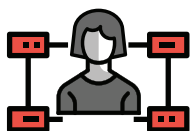
	FOCUS AREA	OBJECTIVE	MEASURE
 <p>PEOPLE Partner with our stakeholders to create shared value</p>	Team Member (TM) Engagement and Development	Attract, optimize, and retain team members	Number of TMs employed
			TM satisfaction rating
			Average training hours per TM
			Volunteerism
	Corporate Social Responsibility (CSR)	Partner with communities to promote inclusive growth	Retention rate (100% less turnover rate)
			Number of beneficiaries
			CSR fund allocation
Disaster Resilience	Increase the capability of local government and the public in disaster preparedness	CSR projects	
		Number of installed automated weather stations (AWS) nationwide	
Customer Focus	Provide a commercially sustainable customer experience	Number of individuals from media, public and private sectors trained on weather disaster preparedness	
		Customer satisfaction rating	
 <p>PLANET Minimize our environmental impact</p>	Carbon Emissions Reduction	Reduce Greenhouse Gas (GHG) emissions across our facilities	Number of customers served
			Carbon productivity
	Resource Efficiency	Manage resources efficiently	Cumulative number of trees planted
			Water consumption
	Waste Management	Reuse and recycle	Energy consumption
			Weight of waste materials recycled
	Renewable Energy (RE)	Tap other RE sources and strengthen our RE portfolio with the development of more hydropower and geothermal capacity	RE source net sellable capacity
RE generating net sellable capacity			
 <p>PROFIT Grow profitably</p>	Financial Return	Grow profitably	Total Return to Shareholders
			Return on Equity
	Financial Growth	Grow profitably	Net Income After Tax
Earnings before Interest, Taxes, Depreciation, and Amortization (EBITDA)			

TARGET	2017 RESULTS	2018 RESULTS	REMARKS
More than previous year's number of employed TMs	30,815	35,035	Achieved
Higher than previous year's TMs engagement scores	40%	42%	Achieved
40 hours per TM	28	18	Does not reflect other forms of TM training and development
More than previous year's number of volunteers / hours	72,168	72,346	Achieved
Retention rate higher than or equal to 93%	90%	94%	Achieved
More than previous year's number of direct and Group beneficiaries	651,766	998,646	Achieved
100% implementation of planned projects for the year	PHP456 million	PHP419 million	Achieved; 100% of the planned allocation for projects were spent
100% implementation of planned projects for the year	1,863 projects	1,827 projects	Achieved; 100% of the planned projects were implemented
Increase in number of AWS installed	717	756	Achieved. Previously reported as deployed; 5% increase in installed AWS
Higher than previous year's number of individuals trained in capacity-building training	1,772	1,901	Achieved
More than or equal to a "satisfied" rating (using a 5-point scale)	4.3	4.2	Achieved
Increase in number of customers served	8,306,015	9,244,442	Achieved
More than previous year's emissions	PHP0.39 million revenue / tco2e	PHP0.37 million revenue / tco2e	
9 million trees by 2020	5.7 million	6.6 million	10.6 million trees planted including RAFI's contribution
Less than previous year's consumption	2,774,658 m ³	2,369,445 m ³	Achieved
Less than previous year's consumption	611,682 MWh	713,079 MWh	Higher consumption due to increase in facilities and offices in 2018
More than previous year's recycled waste	31.6 tons	42 tons	Achieved
More than previous year's RE source capacity	1,263 MW	1,294 MW	Achieved
Ratio of RE to non-RE source capacity	32% RE, 68% NRE	31% RE, 69% NRE	
	9%	2%	
	16%	14.9%	
	PHP21.6 billion	PHP22.2 billion	
	PHP57 billion	PHP61 billion	

Our sustainability journey towards advancing business and communities

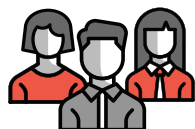
2016 - 2017

Embedding Sustainability Environment, Social & Governance (ESG)



GOVERNANCE

- Developed our Group purpose and refreshed our brand promise
- Developed our ABC roadmap
- Achieved GRI certification of our sustainability report
- Aligned our programs with United Nations Sustainable Development Goals (UN SDG)
- Aligned BetterWorld with our ABC campaign



PEOPLE

Partner with our stakeholders to create shared value

- Established strategic partnerships with both government and private sectors to create greater social impact
- Launched self-driven career management, and coaching and mentoring programs
- Transformed the way we work using digitized systems and processes
- Piloted an agile workplace at Pilmico for better collaboration and teamwork
- Launched Agora, our intranet portal for better engagement among team members
- Introduced Always Learning, a self-driven learning platform
- Introduced UnionBank The Ark, the first fully digital bank branch in the Philippines



PLANET

Minimize our environmental impact

- Had more active discussions about carbon management program at the Group ManCom and Board levels
- Upgraded Safety, Health, Environmental and Quality (SHEQ) standards across the SBUs



PROFIT

Grow profitably

Identified shared value initiatives of the Group

- CitySavings' rural and microfinance banking through its acquisition of First Agro-Industrial Rural Bank, Inc & PR Savings Bank
- UnionBank's Eureka forum, providing e-commerce education to MSMEs
- Pilmico's sustainable backyard farming through Mahalin Pagkaing Atin
- Republic Cement's affordable housing initiative
- AboitizLand's environmentally sensitive residential design introduced in the Seafront Residences project

2018

Fostering Inclusive Growth Aligning Sustainability and ABC

- Operationalized our culture, the Aboitiz Way
- Developed and implemented 2020 CSR Roadmap across the Group through an integrated approach to projects that are innovative, measureable, scalable and solution-focused
- Began preparatory work to align with the integrated reporting framework and participate in the integrated reporting of the country's UN SDG achievements

- Expanded existing partnerships with government and private sectors to deepen our social impact
- Continued transforming our businesses through digital technology to enhance customer experience, improve operational processes, and create new business models

People Experience

- Pilmico's Manufacturing Execution System, a dashboard that shows real-time operations, performance of plants and machines
- Pilmico's streamlined Human Resource Information System, where multiple, duplicative processes were removed

Customer Experience

- AboitizPower Distribution Group moved from manual response on social media to digital platform Hootsuite; improved response and resolution by 50%
- UnionBank's mobile/online convergent banking - Real time online sign-up, all accounts in one place
- UnionBank's digital relationship manager (RM) - enabling the RM, client 360-view (real time data from core banking system and historical client data)

- Implemented our carbon management program
- Applied international SHEQ standards to our projects

- Harnessed existing shared value products and services, and created new shared value initiatives through our businesses
 - Weather Solutions, a social enterprise offering technology-based weather products and services
 - AboitizPower Distributed Energy Inc.'s (APX) solar rooftop business
 - Apo Agua's bulk water business powered by a mini hydro
 - Pilmico's inclusive corn sourcing program with local farmers
 - UnionBank's Project i2i, a blockchain-based clearing and payment system for rural banks

2019 and Beyond

Pursuing Thought Leadership Shared Value Portfolio Strategy

- Affirm thought leadership in Advancing Business and Communities
- Advance our sustainability agenda by driving growth in industries and communities
- Adopt the integrated reporting framework and continue to align with UN SDGs
- Enhance our sustainability roadmap
- Conduct an assessment of our sustainability maturity level
- Work towards achieving an information security risk-aware culture to further strengthen prevention, detection, and comprehensive response to growing cyber security threats

- Foster inclusive growth by leveraging partnerships with government and private sectors to expand reach to more communities, and contribute to the country's development goals
- Focus on transforming our A-People to become digitally responsive while pursuing digital solutions for customer needs
- Explore ways to better harmonize and align benefits across the Group to protect and promote the well-being of team members
- Seek further operational efficiencies and digital solutions to respond to the needs of our expanding customer base across the Group

- Complete our A-Park target of planting nine million trees by 2020
- Scale up GHG accounting tool across the Group
- Implement our Wealth Out of Waste program and initiatives
- Provide innovative infrastructure-related solutions for the water sector

- Continue to seek improvements based on prior year's shared value products and services, and look for opportunities in the value chain where we can foster inclusive growth
- Expand our generation portfolio of multi-fuel technology in our goal to drive down cost and improve efficiencies
- Continually explore both onshore and offshore acquisition opportunities where they make sense
- Support the continuous evolution of our banking business into a technology company with embedded banking services
- Build up recurring income by focusing on opportunities around our current real estate developments
- Further improve operational efficiency by scaling up automation or technology implementation (e.g. artificial intelligence, blockchain) in internal processes



Aboitiz partners with the national government to support the Pagkain Para Sa Masa Program of the Department of Agriculture, Department of Health, and the Department of Social Welfare and Development.

Dialogue and value creation for stakeholders

We take to heart our mission to create long-term value for all our stakeholders. We engage with both internal and external stakeholders – suppliers, contractors, financial institutions, government regulators, public agencies, and local communities where our businesses operate. Our goal is to generate trust and sustain it as we engage in dialogues that further build on cooperation, partnerships, and common aspirations of a better future.

Our customer-and-community-facing team members undergo training to fully embody the principles and processes of stakeholder relationship management (SRM) and communication. As our stakeholder engagement process continues to evolve, we make sure that we are agile enough to keep up with our growing audience by maximizing the many communication avenues available today and sharing best practices internally.

Stakeholder Engagement Process



Identify

- Brainstorm to identify key stakeholders
- Identify all operations of the company and determine the participating stakeholders
- Stakeholders would be people who are affected by, have influence over, or have interest in your work



Understand

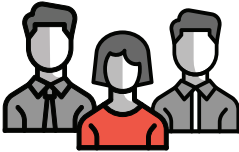
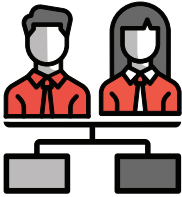
- Understand the stakeholders and their concerns
Sample questions:
-What motivates them most of all?
-What information do they want from you?
- Develop a Stakeholder Management Engagement Plan that would address relevant interests of each stakeholder



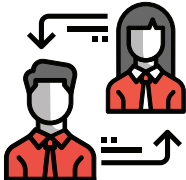
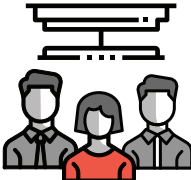
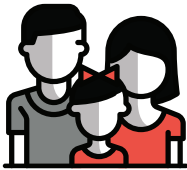
Engage

- Engage with stakeholders focusing on four key values: transparency, empathy, expertise, and commitment
- The ultimate goal is to create a trust-based relationship with stakeholders

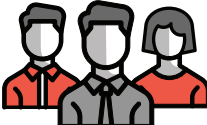
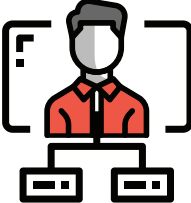
Key Dialogue Channels for Stakeholders

Stakeholder	Channels and Major Initiatives in 2018
 <p>Team Members and Team Leaders</p>	<p>Events and Campaigns</p> <ul style="list-style-type: none"> • ABC roadshows • Aboitiz No Impact Challenge • Townhall meetings, e.g. Coffee with the President • ABC Summit • Team Leaders' Conference • Gabii sa Kabilin • Sportsfest/ Friendship Games • Simultaneous Tree Planting • 1AP Culture launch <p>Communication</p> <ul style="list-style-type: none"> • Aboitiz Eyes • Team member engagement surveys • Focus Group Discussions (FGDs) • Team leaders' quarterly meetings • Coffee with EIA <p>Digital Channels</p> <ul style="list-style-type: none"> • Agora (Workplace by Facebook) • Livestreams, e.g. Super Conversations with SMA, Livestreams, and Hour of R2R • Whistleblowing channel • Websites and social media (Facebook, Instagram, LinkedIn) <p>Recognition / Awards</p> <ul style="list-style-type: none"> • Recognition Night • Local Team Awards • Group Team Awards • Don Ramon Aboitiz Awards of Excellence • Service Awards <p>SBU-led programs</p> <ul style="list-style-type: none"> • Inyovation • GoBeyond Communities • Values Taskforce • Coastal clean-up • Drainage clean-up • Solid Waste Management Program <p>Human Resource Management Systems</p> <ul style="list-style-type: none"> • Coaching and mentoring • A-clubs and interest groups • Aboitiz Talent Management System • Bugsay Self-Driven Career Management Program • AHEAD (Pilmico learning & development) • Project ME • #Fit4U
 <p>Customers</p>	<ul style="list-style-type: none"> • Customer satisfaction surveys • Customers' Appreciation Night • Customer visits, dialogues, and consultations • Product campaigns and caravans <ul style="list-style-type: none"> -Alas Say Yes! Free Vaccination Program -World Gamefowl Expo (Manila and Cebu) and Fiestag 2018 -Elite (Hog Feeds) 2.0 launch -Salto & Gallimax Breeders' Forum -Pilmico Food, Agri & Livelihood Expo • Social media engagement and campaigns • Agricenter anniversaries • Agripost conventions • Pilmico Congress (formerly known as PJVAC) • Pilmico Agri & Livelihood Expo (Ozamiz, Cebu, and La Union) • Product taste test (Farms) • Participation in bakery fairs (Cebu and Davao)

Key Dialogue Channels for Stakeholders

Stakeholder	Channels and Major Initiatives in 2018
 <p>Suppliers and Partners</p>	<ul style="list-style-type: none"> • Brokers’ Night • Bankers’ Night • Insurers’ Cocktails • Service level agreements • Safety orientations and briefings • Fair dealing policy compliance orientations • Supplier bidding and orientation • IVALUA - Digital procurement / supplier portal • Partners’ fellowship event • Contractors’ Day
 <p>Shareholders</p>	<ul style="list-style-type: none"> • Annual Stockholders’ Meeting • Shareholder services • Analysts’ briefings • Non-deal roadshows and one-on-one meetings • Quarterly reports and disclosures • E-newsletter communications
 <p>Communities</p>	<ul style="list-style-type: none"> • Business unit-level community interactions and visits • Partnerships and collaborations with relevant national government agencies, NGOs, academe, and other institutions such as CORA Foundation and Philippine Business for Social Progress • Training and capability building in areas like proper livestock management • Brigada Eskwela • CSR Christmas Outreach • Aboitiz CSR Forum • League of Corporate Foundations CSR Expo • Aboitiz Football Cup Luzon • Livelihood kit distribution (egg-laying machine, piglets, bakery starter kit) • KIDisaster • Kutitap Feeding Program (Tarlac) • Life Sacks training program • Vietnam CSR Program (health and wellness related) • Participation in the International Water Association (IWA)

Key Dialogue Channels for Stakeholders

Stakeholder	Channels and Major Initiatives in 2018
 <p data-bbox="199 824 491 1032">Government and Regulatory Agencies</p>	<ul data-bbox="651 414 1412 1294" style="list-style-type: none"> • GovRel Executive Conference Series • Innovation in Governance Academy • Government Relations Bulletin • Roundtable discussions • Public-private partnerships to support government's push for economic, social, and environmental development • Collaboration with government institutions • Mahalin Pagkaing Atin • Livelihood Assistance Management Program (LAMP) for Philippine Army retirees • Updating of Livestock and Poultry Industry Roadmap • Project Tattoo (promoting climate change awareness) • Restructuring the National Biosecurity Program manual • Wooden Spoon - Business Innovation Center • P.A.G.K.A.I.N. Para sa Mga Bayani project for wounded soldiers of the Marawi siege; turnover of egg-laying machines to chosen army beneficiaries • P.A.G.K.A.I.N. Biyaya ng Pagbabago project (bakery livelihood program) for Marawi and Iligan beneficiaries; Kawiyagan/turnover of bakery kits to beneficiaries • Noble Bakers - MOA with the Armed Forces of the Philippines Special Operations Command (SOCOM) on providing bakery livelihood kits and training to wounded soldiers of the Marawi siege • Boracay Wetland #4 rehabilitation
 <p data-bbox="199 1839 338 1883">Media</p>	<ul data-bbox="651 1563 1305 1995" style="list-style-type: none"> • Manila Media Movie Block Screening • Cebu Media Movie Block Screening • Economic Journalists Association of the Philippines Journalism Workshop • AboitizPower Science Media Tour • Pilmico Envi-Agri Beat Media Bake-off • WeatherPhilippines Model Community Tour • Aboitiz immersion for the Philippine Information Agency (PIA) • Media Parties (Manila, Visayas, and Mindanao) • Third Quarter Media Briefing • Annual Stockholders' Meeting Press Conference • Cebu Media Roundtable

Environmental management through better processes and systems

We remain committed to growing our business in a manner that has the least adverse effect on the environment, people, and communities. Our subsidiaries and business units abide by extensive and increasingly stringent safety, health, and environmental laws and regulations. We have designated pollution control officers in our different business units who monitor compliance with these regulations.

We uphold the well-being of our team members at all times, adhering to strict standards, and constantly improving the conduct of our operations to ensure a safe workplace.

We subscribe to Energy Regulation 1-94, which requires companies to allocate funds for the benefit of their host communities to protect both the natural environment and the people living in the area.

The Aboitiz Integrated Management System (AIMS) represents our commitment to implement our Information Security Management System (ISMS) and our Quality Management System (QMS). The ISMS safeguards the confidentiality, integrity, and

availability of company information, while the QMS makes certain that systems are always updated and improved across our corporate service units (CSUs).

The Pilmico Integrated Management System (PIMS) ensures that all team members are guided in their decisions and activities pertaining to quality, information security, halal assurance, as well as HACCP food safety and good manufacturing practices.

UnionBank is keeping its promise to integrate environmental sustainability into its operations with eight of its branches now LEED-certified. LEED or Leadership in Energy and Environmental Design is an internationally recognized standard for green buildings that promote a healthy, durable, affordable, and environmental practice in building and construction.

Financial services unit PETNET was awarded the ISO 9001:2015 Quality Management System certification in December 2018. It is a validation of the company's commitment to be at par with the Group's processes after it joined Aboitiz in 2015.



Certifications in 2018

Corporate

AEV

ISO 27001:2013 (Data Center)
ISO 9001:2015 (QMS Re-certification)

Power

SN Aboitiz Power - Binga and Ambuklao

IMS (QMS 9001, EMS 14001,
OSHAS 18001) Re-certification

SN Aboitiz Power - Magat
IMS (QMS 9001, EMS 14001,
OH&S 45001) Re-certification

Hedcor, Inc. Luzon Hydro Corp.

Hedcor Sabangan, Inc.
IMS (QMS 9001, EMS 14001,
OH&S 45001) Re-certification

Hedcor Sibulan, Inc.
Hedcor Tudaya, Inc.
Hedcor Bukidnon, Inc.
IMS (QMS 9001, EMS 14001,
OSHAS 18001) Surveillance

Aboitiz Power Renewables, Inc. - Makban, Tiwi

IMS (QMS 9001, EMS 14001,
OSHAS 18001) Surveillance

Therma South, Inc.
IMS (QMS 9001, EMS 14001,
OSHAS 18001) Re-certification

Therma Luzon, Inc. Corporate Headquarters and Pagbilao Fuel

Management Process
QMS 9001 Re-certification

Cebu Private Power Corp.
Therma Marine, Inc.
Therma Mobile, Inc.
IMS (QMS 9001, EMS 14001,
OSHAS 18001) Surveillance

Davao Light and Power Company

IMS (QMS 9001
Surveillance; EMS 14001
& OHS 45001 Certification)

Visayan Electric Company

IMS (QMS 9001
Surveillance; EMS
14001 & OH&S 45001
Certification)

Cotabato Light and Power Company

QMS 9001 Surveillance

Subic EnerZone
Lima EnerZone
Mactan EnerZone
Balamban EnerZone
QMS 9001 Surveillance

Banking and Financial Services

UnionBank

ISO 9001:2015

LEED Gold-Certified Branches: Cebu North Drive, Cebu Lipata, Cebu Minglanilla, Cebu Sumilon Rd.,
Cebu A.S. Fortuna, Cebu Subangdaku, Lourdes Hospital, Mayon McKinley West, Annapolis

LEED Gold-Certified Corporate HQ (UnionBank Plaza): 34/F Transaction Banking Center

PETNET

ISO 9001:2015

Food

Iligan Flour Plant

ISO 9001:2015
HACCP, GMP, Halal (both local and export flours)

Iligan Feeds Plant

ISO 9001:2015
HACCP, GMP

Land

ISO 9001:2015
ISO 14001:2015
BS OHSAS 18001:2007



Beyond Compliance

Through A-Park, the Aboitiz Group’s contribution to reforestation and support for the UN SDG on climate action, our host communities, partners, and team members have planted 6.6 million

trees nationwide as of 2018. We are investing almost half a billion pesos as part of our carbon management program with the goal to plant nine million trees by 2020.



Our Resource Efficiency Mindset

Through our Race to Reduce (R2R) program, we continuously monitor the consumption of power, water, and paper in our business units. To strengthen the resource efficiency mindset of our team members, we ran our version of the No Impact

Project global initiative called the Aboitiz No Impact Challenge, It displaced a total of 268 tons of carbon equivalent because of our voluntary participation in simple lifestyle choices that promote wellness while reducing carbon footprint.



Greenhouse gas emissions from 656,900 miles driven by an average passenger vehicle



CO2 emissions from 29 homes’ energy use for one year



Carbon absorbed by 6,946 tree seedlings grown for 10 years

= 268 tons total CO2e avoided

Wealth Out of Waste Framework

Rethink

- Education and awareness
- Evaluation and solution
- Implementation
- Idea generation

Reuse/Repurpose

- Reuse/Repurpose BU waste
- Enterprise development
- Partnerships with host communities



Reduce

- Resource efficiency
- Mindset change
- Auditing and inventory

Recover

- Segregation
- Clean recovery
- Proper disposal

In 2018, the Group developed a unified waste management framework called Wealth Out of Waste. This framework, which aims to increase efficiency, engagement, and even revenue, allows us to identify

gaps and consolidate our existing efforts in a single direction, thus maximizing our positive impact both internally and externally.

Our Biodiversity Programs

304-4



The Aboitiz Cleanergy Park is an eight-hectare ecological preserve located in Davao City. Known as an urban-based biodiversity conservation site, it is home to the critically endangered Hawksbill turtle (*Eretmochelys imbricata*), endemic and migratory birds, and marine species. Since the park's public launch in 2015, a total of 8,416 students, teachers, and various private and public sector partners have visited it. On January 10, 2019, the Aboitiz Foundation and Davao Light signed a Memorandum of Agreement (MOA) with the DENR and LGU-Davao recognizing the park as a Pawikan Rescue Center.

Moreover, the Group is giving the government's ongoing rehabilitation of Boracay an added boost by partnering with the DENR. On August 13, 2018, both parties signed a Memorandum of Agreement for the

Group to adopt and revive Wetland #4, one of nine across the island.

The rehabilitation and development of Wetland #4 is a three-year project that will convert the one-hectare lagoon into a linear urban park. A key feature is the plaza, and around it will be a boardwalk with trees and plants endemic to Boracay to help rebuild the land's biodiversity.

Once completed, the wetland will have three distinct features: recreational, with a low-impact eco-tourism design; educational, by generating awareness on the importance of wetlands; and experiential, by allowing the local community, students, and even tourists to participate in the cleanup, maintenance, and protection initiatives.

Our Environment Education Programs

Our Cleanergy Center, located within the MakBan geothermal power complex in Laguna and Batangas, welcomed 45,808 visitors who have learned how AboitizPower contributes to the Philippines' renewable energy program. The 650-square-meter interactive museum educates young Filipinos on renewable energy and how AboitizPower is providing energy solutions that leave a lighter impact on our environment and host communities.

A similar learning center is operated by AboitizPower subsidiary Therma South, Inc., in Davao City. The



Energy Education Center (EEC) makes energy and science education more accessible to students who live far away from the city center. Displays in the center include the nature and process of the circulating fluidized bed (CFB), scale models of the boiler and of the power plant, the Mindanao power structure, history of AboitizPower, and power generating technologies, among others. In 2018, the EEC facilitated 64 plant tours with a total of 1,091 visitors.

Building the Aboitiz Risk Culture

The Aboitiz Group believes that a truly resilient organization must have an enduring risk culture. The Risk Management team drives organizational resilience by embedding risk consciousness across different levels of the organization, leveraging on technology and being a strategic partner for business sustainability.

In 2018, we implemented several initiatives to strengthen our risk management practices and build a more robust risk culture.

Sustaining Level 4 Risk Maturity

The Risk Maturity Index (RMI) was developed by AON Global Risk Consulting and Wharton Business School to identify, assess and address critical areas of concern in the organization’s risk management program. In 2018, the Aboitiz Group scored an average of 4.3, which is higher than the 3.9 rating achieved in 2014.

Following the assessment, focus areas will include enhancing the Aboitiz Risk Management framework, embedding risk culture in the organization, and developing an assessment for risk management effectiveness.

In the area of capability building, we established a competency framework to guide the Group’s risk professionals in developing their technical and behavioral competencies.

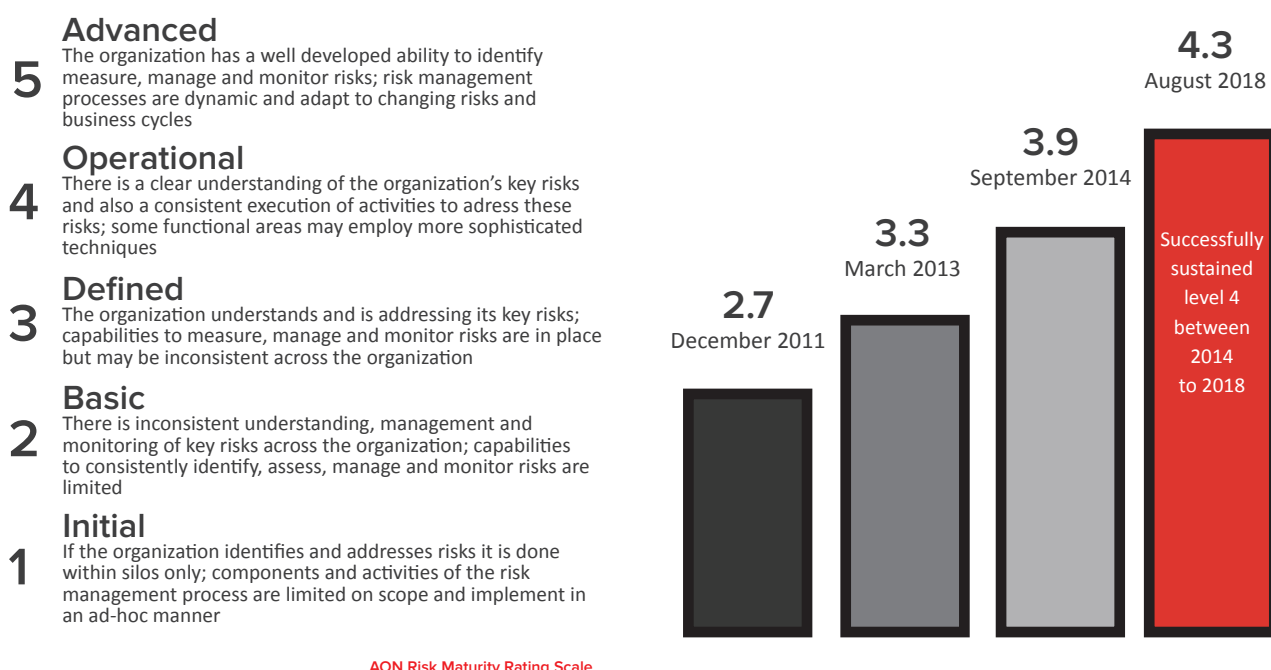
In 2018, we diversified our insurance programs in order to create an optimized portfolio where we balance risk retention and transfer strategies. Over the years, the Total Cost of Insurable Risks (TCOIR) has remained at a consistent level even when we expanded our business. This is a direct result of the organization’s continuous improvement of its risk profile and in exploring non-traditional risk transfer programs.

We automated the motor car insurance process in preparation for applying a risk-based premium allocation moving forward. The Group has also started to look into quantifying our exposures to cyber risks in order to come up with a more appropriate risk transfer strategy for this type of exposure.

Business Continuity Management (BCM) Program Maturity and ISO 22301:2012 Compliance

In 2018, we saw the completion of the Business Continuity Audit that was started in 2017. The audit,

Aboitiz Risk Maturity Index Rating



which assessed the BCM maturity of business units and their conformity to ISO 22301:2012, resulted in a score of 4 out of 5. This translated to having an “Integrated” level of maturity, which suggests that there is a multi-year plan to continuously improve the BC process and also an enterprise-wide state of preparedness. As a result of this assessment, the BCM roadmap was defined for the next three years.

In 2019, we will continue with our BCM maintenance activities that will include the review and revision of existing BC documentation, the enhancement of the Business Impact Analysis (BIA) and Continuity Strategy selection processes, and a shift to a progressive BCP testing.

Information Security Management System (ISMS) Group-wide Implementation

Information security remains one of the Group’s top risks and to address this, we continue to roll out ISMS across the Group. To further ensure a smooth transition, we conduct training, information awareness campaigns, and change management workshops across the Group.

In 2019, the ISMS project will make the transition to program implementation. We have worked on putting the appropriate structures in place to ensure the sustainable execution of the program. These include, but are not limited to, a formal governance structure, policies based on the 14 domains of ISMS, and e-learning modules.

Moving Forward to an Integrated Risk Management Framework: Governance, Risk, and Compliance

One of our major initiatives in 2018 was the integration of Risk with Compliance. In 2017, we

started defining and developing the Compliance Management framework and policies for the Group. The integration was done to enable the organization to address multiple factors essential in managing risks, particularly regulatory, which is the Group’s top risk.

Enterprise Compliance is now part of the Enterprise Risk Management umbrella. Our compliance framework is based on ISO 19600 but tailored to fit the Group’s requirements. This coordinated approach to compliance spans multiple businesses, organizational units, and geographies enabled by people, processes, and technology.

After documenting the compliance policies, standards and guidelines, the Enterprise Compliance Team is currently rolling out the Aboitiz Unified Compliance Management System, based on the Governance, Risk and Compliance (GRC) methodology. The objective is to establish a better oversight on compliance management resulting from greater availability of data and information. This will also support the objective of embedding a culture of managing compliance risk in the Group.

Moving forward, Risk Management in Aboitiz will not only be the second line of defense, but also a strategic partner for opportunity management and value creation. We will continue the integration with key functions and management systems while starting out our digital transformation efforts and taking advantage of technology. All these are being put in place to better support the growth of the business, and ensure the resilience and sustainability of the Aboitiz Group.

Business Continuity Management Maturity Model



Combined assurance and the Three Lines of Defense model

For Audit, we have adopted the combined assurance and the Three Lines of Defense approach implemented across the Aboitiz Group. Combined assurance is defined by the Institute of Internal Auditors (IIA) as the integration and alignment of assurance processes. This allows senior management, and audit and supervisory committees to get a comprehensive, holistic view on the effectiveness of their organization’s governance, risks, and controls. The information enables them to set priorities and take any necessary actions.

Combined assurance also supports our organizational objectives because assurance efforts are directed towards risks that impact systems and processes most critical to the organization. Efficiencies are enhanced by the sharing of lessons

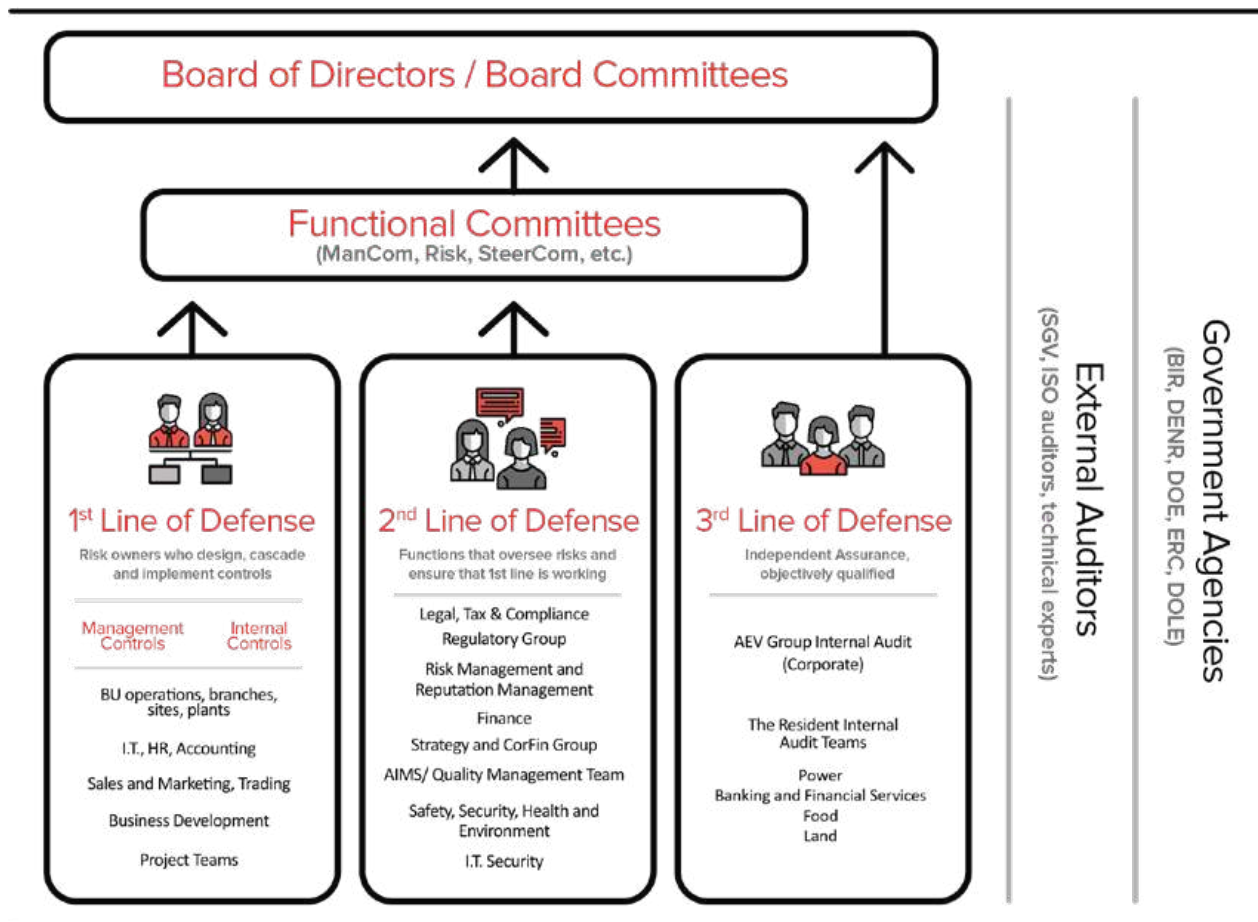
learned, better resource allocation, and greater coverage by doing away with the unnecessary duplication of efforts and resources.

There are three parties in the combined assurance framework: management assurance, external assurance, and internal assurance.

The Aboitiz Group uses a closely-related framework called the Three Lines of Defense, which involves management and providers of internal and external assurance. The Board and senior management rely on the line functions to provide monitoring and assurance within the organization.

The first line of defense lies in frontline functions that handle the day-to-day management of risks.

The Three Lines of Defense model in Aboitiz



102-29, 102-30, 103-3

The control environment, systems, and culture developed and implemented by these functions are crucial in anticipating and managing operational risks. The first line is vital to success.

The second line of defense lies in specialized functions like risk management, governance, compliance, legal, reputation management, and other corporate support units. These functions provide the oversight, tools, and systems to help ensure that the first line of defense is working in identifying, managing, and monitoring risks.

Finally, the third line of defense provides independent assurance. This is provided by an independent and objective internal audit function that has a direct reporting line to the Board. Internal Audit provides a level of independent assurance that the risk management and internal control frameworks are working as designed. Assurance is also provided by third-party providers including external auditors, ISO practitioners, technical experts and government agencies.

The three lines of defense framework integrates management and internal assurance in the combined assurance framework.

Combined assurance and the three lines of defense are tools that provide a theoretical foundation for the Aboitiz risk and assurance framework. Both help simplify very complex corporate functional relationships through defined roles, effectively performing collaborative work to help the organization manage risks. These are the key components to the Group's overall governance, risk, and control structure. It is important that diverse teams continue to work together so that goals in the management of risks are accomplished efficiently and effectively.



Talent Management

Building human capital is one of the four strategic pillars of the Aboitiz Group. Our Group's Human Resources (HR) team is at the forefront of building human capital through programs that are centered on attracting, optimizing, and retaining the right talent. We look for A-people who believe in our purpose and our brand promise, whose values are aligned with our core values, and who will thrive in our culture.

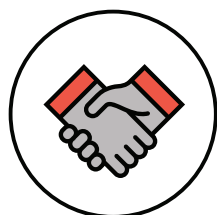
The Aboitiz culture is the secret sauce of the Group's success over the past 100 years. It is about people who shape, evolve, build our culture, and preserve our core values. In HR, our role is to find the right talents and place

them at the right seat on the right bus at the right time.

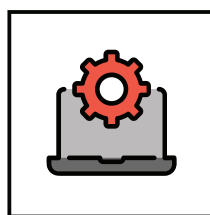
The Group HR team functions as the governance body that develops policies and standards and instills best practices across the business units (BUs), a business partner that provides value-added services to our BUs, and a center of excellence for the Group.

HR's strategic roles in these areas are delivered through 10 major initiatives, or what we refer to as "rocks." Where relevant and appropriate, we initiate projects Group-wide to deliver on these 10 rocks. The BUs customize and execute these projects through their respective HR teams.

Group HR Strategic Goals



Attract



Optimize



Retain

Build Organization Capability (People, Process, and Systems)



Talent Attraction

For talent attraction, our goal is to sharpen our ability to build talent communities and select the right talent with the right fit.

With our Strategic Workforce Planning (SWP), we are able to anticipate the talent needs of the Group, prioritize, and align these to the BU's long-term strategic plans. This is a continuous process, reviewed and embedded in the annual strategic planning process of every BU. This is more important than ever as we move towards digital transformation and plan the talent pool that will be required for the future.

In 2018, we started building Talent Communities through online tools, enabling us to reach our target talent through social media channels like Facebook, Instagram, and LinkedIn. We also build communities and groups, and engage and source target talent through our employer brand communications and social events.

A critical strategy to build human capital is to increase our ability to attract the right talent through the power of a strong employer brand. Employer brand is crucial as to how talent perceives Aboitiz as an employer. To attract talent, we need to communicate our key attributes or qualities that would entice them to join our organization. These qualities have to be authentic and are actually being experienced by our team members. We have started the activation of our employer brand with our Employee Value Proposition (EVP): A Future Built by You.

We have five EVP pillars, namely, shaping a better future (inspiring purpose), personal growth, winning with integrity, finding a better way everyday (innovation), and together for the long haul (family-led).

The journey of employee candidates begins with Awareness, Consideration, and the Desire

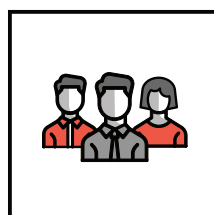
To find the right talent with the right fit at the right time



Strategic Workforce Planning

Embed and align to business strategy

3 year SWP used for succession and hiring



Talent Communities

Talent Relations Management

Engaging target talent at scale



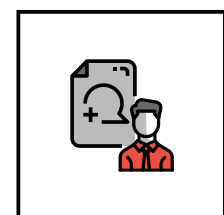
Employer Brand

Support EVP with people stories

Communications and Activation

Aboitiz Careers Site, social media channels

Social events



Candidate Experience

Discover Aboitiz Program (Onboarding Process)

Talent Assessment

Applicant tracking system



Musik-A is part of the A-club program, where AEV team members form interest-based groups with other team members who share the same passion. In 2018, 10 A-clubs were formed.

to Apply. Once shortlisted, they are assessed through tests and interviews. When there’s a right match or fit, they are onboarded. “Discover Aboitiz” is an Onboarding Program that ensures the candidate experience is seamless, personalized, and helps them quickly assimilate The Aboitiz Way.

Talent Optimization 404-2

The goal of talent optimization is to get our A-people to reach their highest potential in the Aboitiz Group.

The “Bugsay Program” is a Self-Driven Development mindset that we launched Group-wide in 2018. Following the 80-20 principle, 80% of career development comes from hard work and one’s own efforts, while

the remaining 20% comes from the support of others – team leaders, mentors, and the resources provided. Talents are responsible for their own development and career growth in the company, with the support of their leaders.

The Group ManCom and each Business Unit Management Committee conduct regular Key Talent Reviews. Everyone is evaluated for succession and career aspirations and development options based on performance, competency, achievement, leadership capability, and potential.

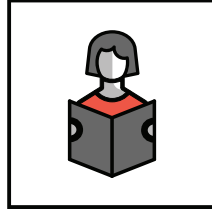
Decisions for succession are made based on a “build, buy, or borrow” replacement strategy for key leadership positions across the Group. The Board of Aboitiz & Company has oversight over this process.

To get our A-People to reach their highest potential in the Aboitiz Group



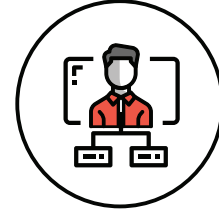
Self-Driven Development

- 'Bugsay' Program
- High-Potential Development
- Coaching and Mentoring
- Performance Management
- Individual Development Plan (IDP)
- Competency Management System



Learning and Development

- Aboitiz Academy Core and Elective Programs
- Functional Development Clusters
- Learning Experience Platforms / Tools
- Support to Digital Transformation



Leadership Development

- Key Talent Reviews
- Succession Reviews
- Leadership Circle

Under Learning and Development, aside from a regular set of core programs that comprise the Aboitiz Academy, we offer electives suited to the needs raised by our BUs, such as design thinking, agile and scrum courses, among others.

In 2018, we entered the digital learning space, introducing a platform that uses artificial intelligence to feed bite-sized, on-demand customized learning, all accessible via a mobile phone. We have also converted a few traditional workshops into gamified learning.

We have created five functional pools of high-potential talents in development clusters such as general management, finance, HR, technology, and legal. There are currently 128 high-potential talents in these clusters. Our aim is to develop these talents for bigger roles in the organization.

Our mentoring partnership program is an important development initiative that connects mentees and mentors from different BUs to facilitate cross-functional and cross-BU learning. It is one of our most in-demand development interventions, with a 276% increase in participation rate since its inception in 2016. This program is an important foundation for performance management, as we prepare to transition into coaching for performance and career development.

We take pride in our Leadership Development strategies. We have produced leaders from our ranks and today, 79% of our top executives are homegrown talents. As of 2018, 77% of vacancies for this level has been filled internally. This is a trend we wish to sustain in the future. The global benchmark for internal succession is at 75%.

We have what we call a Leadership Circle, composed of about 200 senior leaders from across the Group. We have adopted a leadership framework with the goal of deepening our collective leadership competence and effectiveness.

Talent Retention

The goal of our talent retention is to give our A-people a compelling reason to stay with us for the long term.

In the area of Culture and Engagement, we commissioned Gallup in 2017 to help us do a baseline assessment of our team member engagement. Results showed that we are

above average in having engaged team members while implementing significant growth and changes across the organization. We conduct frequent pulse surveys focused on areas of improvement in engaging our team members. The George tool pulse checks and creates visibility for team engagement.

Living our core values is most essential in shaping The Aboitiz Way culture. The behavior of AEV teams indicate that they abide by the Aboitiz core values of integrity, teamwork, innovation, and responsibility. They have personalized and live by these values inside and outside the workplace.

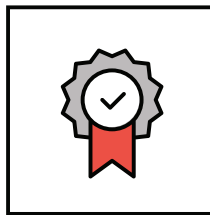
Under Total Rewards, we comply with all legal requirements and remain competitive in the

To give our A-People a compelling reason to stay for the long term



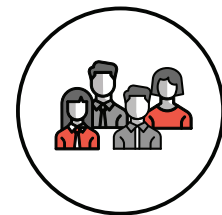
The Aboitiz Way - Culture and Engagement

The Aboitiz Way - living our purpose, ABC, core values
 Culture Engagement Programs
 Pulse surveys; Q12



Total Rewards

Design and deliver compensation, benefits, rewards, and recognition
 Job Evaluation Process
 Study flexible benefits
 Marketing competitiveness/ benchmarking



Group Executive Management

Group Systems Level Management and Communication

market across all the industries where we operate. We provide compensation, benefits, and retirement packages that promote the current and long-term economic well-being of our team members. These remuneration packages are consistent regardless of age and gender, following a Group-wide position leveling framework based on competencies. All our companies also adhere to the highest standards of occupational health and safety.

Finally, under Group Executive Management, we are managing Group Systems Level (GSL) Talent. This program is used to rationalize positions to establish job levels and to manage succession and mobility, learning and development strategies, compensation, benefits, and rewards. Among our top-tier leaders, 87% are Filipinos and were hired from the local community, promoting the Aboitiz Group's

significant presence in the country. Of these senior leadership positions, 27% are female.

In 2019, we will focus our efforts towards building the right Group Human Capital Management Systems. These will involve updating our policies, processes, and guidelines and implementing a robust HR system that is intuitive, flexible, and can meet the requirements and priorities of our future workplace.

By choosing the right technology solution, we will be able to make HR's day-to-day operations even more efficient. As such, we can spend more time in strategic business partnering rather than on transactional and operational HR. We aim to raise service levels and improve talent experience using technology and tools that are user experience-focused. We also intend to use data-driven talent analytics for decisions that will truly drive value.



Professor Sebastien Brion shares his insights on building a culture of collaboration to Aboitiz Team Leaders during the "Leaders Connect" learning series.

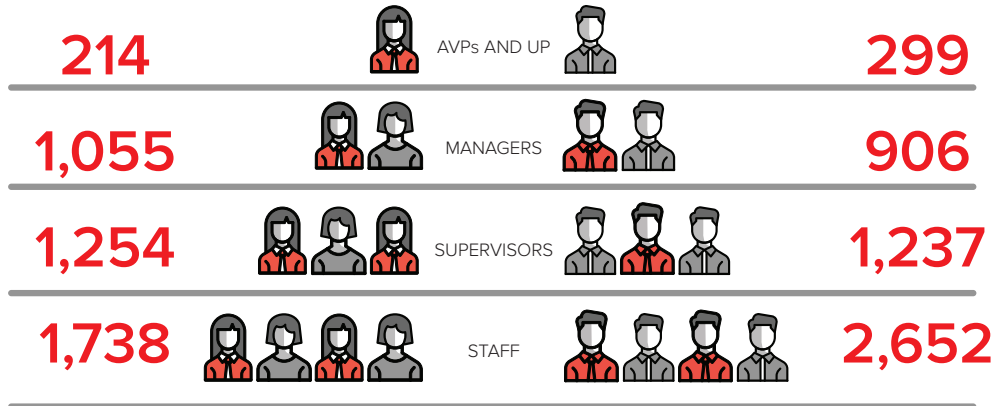
Talent Analytics

as of December 31, 2018

102-8

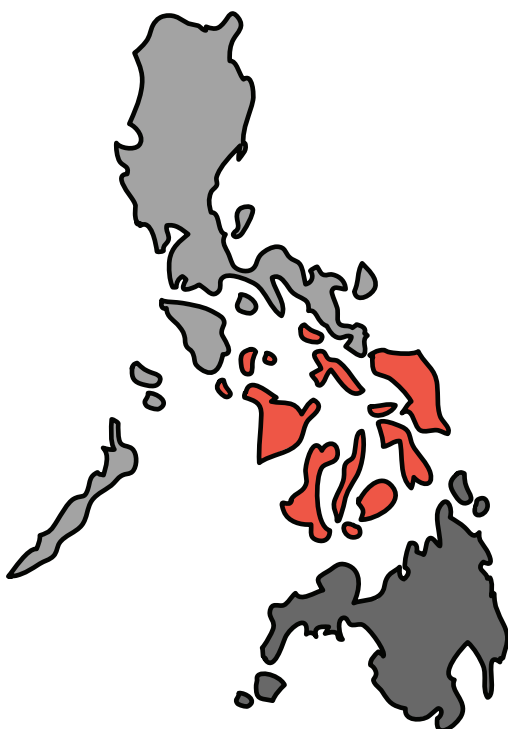
Gender vs. Level

Total number of TMs in the Aboitiz Group



	Corporate		Power		Banking		Food		Land	
	FEMALE	MALE	FEMALE	MALE	FEMALE	MALE	FEMALE	MALE	FEMALE	MALE
Staff	85	94	607	1,567	797	658	178	265	67	68
Supervisors	40	37	114	390	930	581	69	145	101	84
Managers	52	43	62	166	889	626	35	48	17	23
AVPs and up	36	45	38	99	122	121	13	22	5	12

Region



6,012

Total number of TMs in Luzon

CORPORATE 337 POWER 1,374 BANKING 3,639 FOOD 459 LAND 203

1,861

Total number of TMs in Visayas

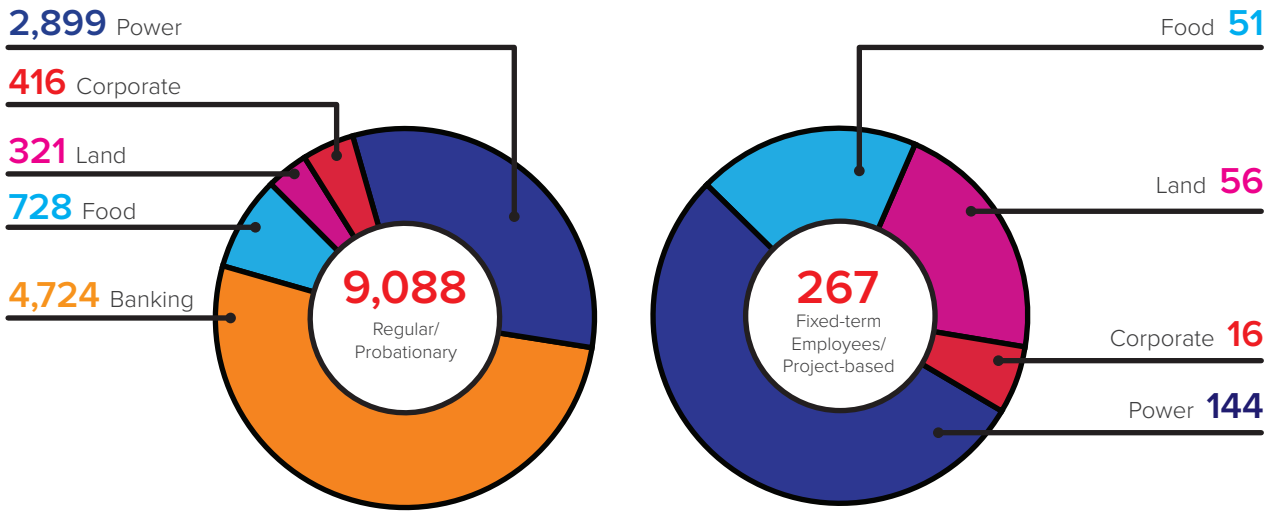
CORPORATE 76 POWER 802 BANKING 741 FOOD 68 LAND 174

1,482

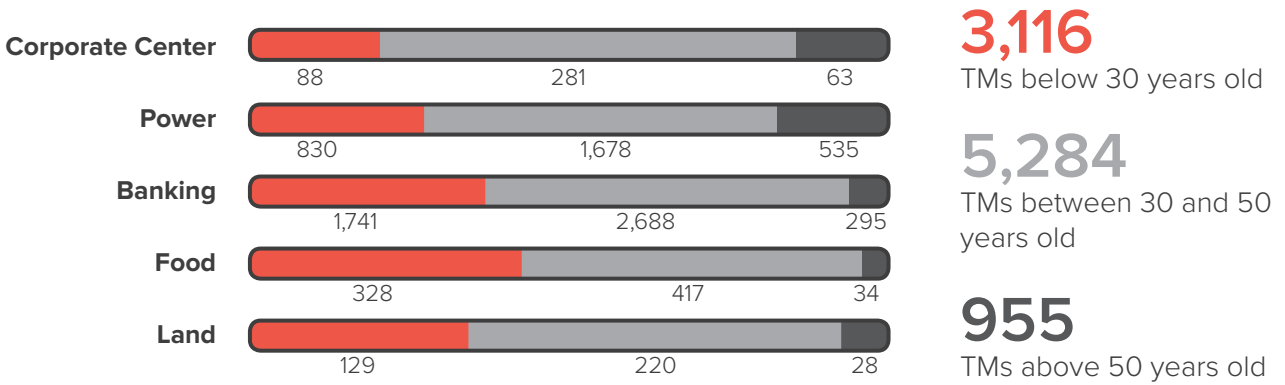
Total number of TMs in Mindanao

CORPORATE 19 POWER 867 BANKING 344 FOOD 252

Employment Type



Age



Years of Tenure

Years of Service	Corporate	Power	Banking	Food	Land	Total
<1	27	151	367	174	74	793
1-5	213	1,271	2,163	349	204	4,200
6-10	83	819	818	135	48	1,903
11-15	53	365	689	64	27	1,198
16-20	20	80	197	31	11	339
21-25	12	119	338	13	10	492
>25	24	238	152	13	3	430

Corporate Governance

Aboitiz 2018 Corporate Governance Report Advancing business in Asia: Creating value, led by values

Over the years, the Aboitiz Group has grown its core businesses of power, banking and financial services, food, infrastructure, land, and portfolio services. In 2018, this growth was bolstered when the Food Group acquired 75% of Gold Coin Management Holdings Limited. It was a feat that increased the scope and breadth of the Food Group's animal feeds manufacturing business into 20 feed mills situated in 11 Asia-Pacific countries.

Today, more than ever, while advancing businesses in new jurisdictions, the challenge for the Aboitiz Group is to ensure that it remains faithful to its values, focused on its purpose, and is true to its brand promise.

As the Group grows, AEV and AboitizPower continue to improve on previous achievements in corporate governance. Most significantly, in 2018, the Institute of Corporate Directors (ICD) recognized the two companies as among the top 10 best performing publicly-listed companies (PLCs) in the Philippines based on the ASEAN Corporate Governance Scorecard (ACGS). For the first time since the ACGS was launched, both AEV and AboitizPower were recognized as among the top 50 best performing PLCs in the ASEAN region. This is no small feat, considering that this exclusive list used to be dominated by PLCs based in more developed jurisdictions such as Singapore. These accolades challenge the Group to maintain its exemplary standards even as it expands in different markets and industries across Asia.

The awards also serve to recognize that good corporate governance practices have always been the cornerstone of how the Group does business. The Group's purpose – To drive change for a better world – coupled with the Aboitiz culture with its core values of integrity, teamwork, innovation

and responsibility, keep team members aligned, steady, and focused on the goal, despite any challenges they may face. It is therefore not a surprise that despite stricter standards in 2018, there were no recorded deviations from, or violations of the Amended Manual on Corporate Governance (the "Manual"), the Code of Ethics and Business Conduct (the "Code of Ethics"), or any other company governance and compliance policies and protocols.

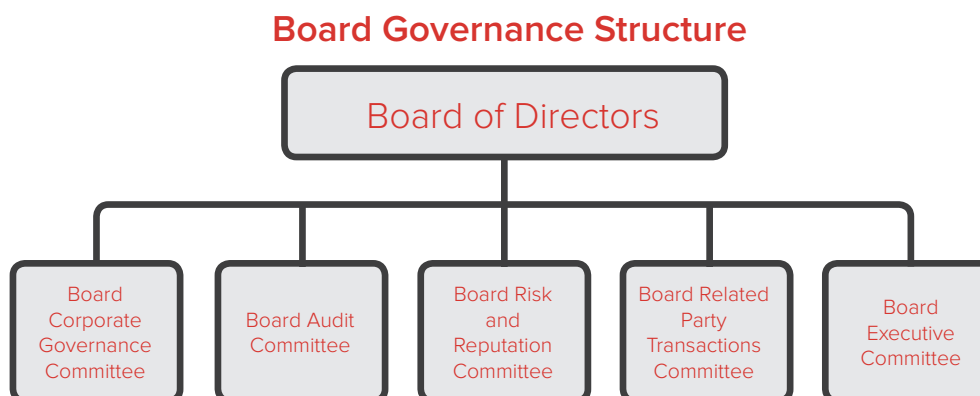
Aboitiz Group Corporate Governance Framework

102-32

The Group's corporate governance framework is rooted in its core values and has been institutionalized in the respective Manuals, Code of Ethics, and key company policies and protocols of AEV and AboitizPower. These include policies on trading, sustainability, and on whistleblowing, as well as on the different Board Committee charters. These documents are frequently reviewed and updated to align with the best corporate governance practices. The respective Boards of Directors of the two companies oversee, monitor, and review the effectivity of the Group's corporate governance framework.

In addition, the Manual, Code of Ethics, and other policies are continuously disseminated to all team members through various means - during the new hires orientation, HR seminars and trainings, and e-learning courses, among others. Team members also have ready access to these documents through the Group's internal documents storage system (e-docs) and the AEV and AboitizPower websites.

Aboitiz Governance Structure



The Board of Directors

102-18, 102-19, 102-22, 102-23, 102-26, 102-27

The Group believes that compliance with the principles of good corporate governance starts with the Board of Directors. The AEV and AboitizPower Boards of Directors perform the crucial role of determining and reviewing each company's purpose, vision and mission, and strategies to carry out its objectives. They ensure that the strategic business direction of the various businesses are soundly established and are in line with the overall Group's goals and strategy. Mindful of their responsibility to foster long-term success and secure each company's sustained growth and competitiveness across all businesses, members of the AEV and AboitizPower Boards, individually and collectively, are expected to perform their functions in a way that is consistent with the Aboitiz core values.

Directors are drawn from a pool of highly qualified professionals, each with their own subject matter expertise to contribute to the management and operations of the Group. Each Board has three independent directors and six independent-minded executive and non-executive members, all of whom come from diverse professional backgrounds. They are a mix of legal and finance professionals, engineers, former or current CEO/COOs, auditors, and accountants, many of them with management experience in the private and government sectors, as well as in multilateral agencies.

The Chairmen of the AEV and AboitizPower Boards are highly experienced, non-executive directors who

are not involved in the Group's day-to-day operations. They therefore remain focused on refining each company's long-term strategy.

AEV and AboitizPower each have five Board committees: Corporate Governance, Risk and Reputation Management, Audit, Related Party Transactions (RPT), and the Executive Committee. All three independent directors sit in these committees, except in the Executive Committee. Majority of the members of the Corporate Governance, Audit, and the RPT Committees are independent directors. Each committee oversees or implements an important aspect of the Group's corporate governance framework and has its own charter, which can be viewed at the AboitizPower and AEV websites.

Board Committees

102-18, 102-19, 102-20, 102-21, 102-22, 102-26

The Corporate Governance Committees of the two companies are responsible for developing and recommending to their respective Board of Directors the appropriate governance principles applicable to the whole Group. To ensure that they can perform this function competently, each company's Compliance Officer, senior legal officer, as well as the Group Chief Human Resources Officer, are regular attendees at committee meetings and act as resource persons.

The Corporate Governance Committees also perform the functions of the nomination and remuneration committee. In 2018, they reviewed the Manual to align with the best practices in the Integrated Annual Corporate Governance Report and the ASEAN

Corporate Governance Scorecard. The amended and updated Manuals are available to download from the AEV and AboitizPower websites at <https://abotiz.com> and <https://abotizpower.com>. The chairmen of the AEV and AboitizPower Corporate Governance Committees are both independent directors.

The Audit Committees provide oversight over each company's financial reporting policies, practices and controls, and over the internal and external audit functions necessary for making good audit-related decisions. In 2018, AEV and AboitizPower adjusted and successfully implemented their respective audit plans to allow the earlier release of their respective audited financial reports, starting with the 2018 audited financials. In the same year, AboitizPower appointed Saturnino E. Nicanor, Jr., as its Internal Audit Head.

Chaired by independent directors, the Audit Committees are composed of all three independent directors, and two non-executive directors. Each company's Chief Financial Officer (CFO) and Internal Audit Head, who performs the functions of a Chief Audit Executive, are regular attendees at committee meetings and act as resource persons.

The Risk and Reputation Committees exercise oversight functions over each company's reputation management, including their respective corporate brands and communication strategies. In 2018, the Group's risk profile, appetite, and tolerance were reviewed and updated, particularly because AEV has started, and AboitizPower intends to start, operations in the Asian region. AEV's and AboitizPower's Chief Risk Officers, as well as their Chief External Affairs Officers, are ex-officio members of this committee.

The Related Party Transactions (RPT) Committees are composed only of independent directors. The committees review and approve each company's CFO Guidelines on the Implementation of the RPT Policy, which require all directors and officers to execute a certification to identify their related parties. Each RPT Committee is mandated to ensure that related-party transactions are taken on an arms-length basis and within market rates, with sufficient documentation, and coursed through the appropriate levels of approval. Except for the presence of the AEV and AboitizPower CFOs as resource persons, management is not invited to and has no participation in the RPT Committee.

The Executive Committee was organized in May 2018 and had its first meeting in June 2018. It is composed of five regular members, at least two of whom must be non-executive directors. The committee was formed to assist the Board in the management and oversight of the company's day-to-day operations and its strategic decision-making, during the intervening period between full Board meetings. The committee chairman is the President and CEO of the company.

Nomination, Selection, and Election of Directors

102-21, 102-24

The Aboitiz Group believes that the nomination, selection, and election of directors are fundamental elements of a well-functioning corporate governance system. The Corporate Governance Committee acts as the nomination committee and oversees the selection of candidates for independent and regular directors. The committee ensures that there is diversity in the Board in terms of experience, profession, age, and gender.

Directors are nominated by shareholders based on their expertise and professional backgrounds, track record, capacity for strategic thinking, and understanding of the Group's businesses. The Corporate Governance Committee then evaluates and recommends the final list of candidates. All directors are elected at the annual shareholders meeting (ASM), by personal vote or by proxy. A Proxy Validation Committee validates all proxies prior to the ASM.

Annual Shareholder Meetings

102-21, 102-24, 102-33

The AEV and AboitizPower Boards encourage active shareholder participation by sending the ASM notice and agenda at least 28 days before their respective shareholders' meeting. The notices, agenda, and the rationale for each agenda item, as well as sample proxies and meeting venue are also made available on each company's website. Comprehensive profiles of the nominees for directors are disclosed in advance to allow shareholders to evaluate them before the ASM.

In addition, AEV and AboitizPower send out hard copies of their respective Definitive Information Statement to shareholders at least 15 business days before the ASM. Copies of the integrated colored



annual report are also provided during the meeting. Downloadable versions of these documents are posted on the websites of the two companies.

Shareholder registration for both AEV and AboitizPower ASMs have gone fully digital. To register, shareholders are only required to present their valid IDs and they can check their personal details for accuracy.

Voting results verified by an independent Board of Election inspectors, are now digitally tabulated and disclosed to attendees within minutes after voting closes. The results are also uploaded to the AEV and AboitizPower websites a day after the ASM.

Board members, and each company's Chief Executive Officer, Chief Financial Officer, independent auditors, stock transfer agent, and other key officers attend the ASM and make themselves accessible to shareholders. Questions from shareholders are also encouraged by the chairman during the meeting.

During the 2018 ASM, AEV and AboitizPower shareholders and stakeholders were able to evaluate the conduct of the meetings, including presentations, registration process, venue, as well as food and refreshments. Suggestions for improvement were evaluated and discussed by the ASM working teams during a post-mortem meeting.

During the 2018 ASM, shareholders approved and ratified the amendment of the company's by-laws to change the ASM date from the third Monday of May to the fourth Monday of April of every year. The amendment also clarified that in accordance with

Section 51 of the Corporation Code, the ASM venue may be at any city or municipality in Metro Manila. The change in the ASM date will ensure that the company's financial reports and information statements are published within the first quarter following the end of the previous fiscal year, in accordance with best corporate governance practices.

Performance Assessment of the Board, Board Committees, and Senior Management

102-28

The AEV and AboitizPower Boards of Directors conduct an annual performance assessment of the Board members and key officers. The Board members conduct a self-assessment of their individual and collective performance, and also evaluate the performance of the Chief Executive Officer, the Internal Audit Head, Chief Risk & Reputation Officer, and the Compliance Officer of each company.

The directors and key officers are evaluated based on the following criteria: compliance with best governance practices and principles; participation and contribution to the Board and committee meetings; and assessment of performance against their duties and responsibilities as provided in the company's Manual, Articles, and By Laws. Assessment results for the past three years are compared, and these are presented to the respective Board Corporate Governance Committees and to all Board members.

Remuneration Policy

102-35, 102-36, 102-37 102-39

The Board Corporate Governance Committee ensures that the remuneration for directors and executives is consistent with the Group's culture, strategy, and business policies. Remuneration rates are also maintained at a level sufficient to attract and retain directors and officers who are needed to successfully run the company.

AEV and AboitizPower ensure that they give competitive remuneration to their respective directors and officers, and regularly benchmarks their compensation against other similar-sized Philippine-based companies through market salary surveys.

During its February 18, 2019 meeting, the Corporate Governance Committee approved the increase of the directors' monthly allowance from PHP180,000 to PHP200,000 for the Chairman, and from PHP120,000 to PHP150,000 for other directors. The committee also approved the increase in the per diem for every meeting attended as follows:

Type of Meeting	Directors/ Committee Members		Chairman of the Board/ Committee	
	From	To	From	To
Board Meeting	PHP 100,000.00	PHP 150,000.00	PHP 150,000.00	PHP 200,000.00
Committee Meeting	PHP 80,000.00	PHP 100,000.00	PHP 100,000.00	PHP 130,000.00

Other than the directors' per diem and monthly allowance, there are no other standard arrangements pursuant to which directors are compensated or to be compensated.

In support of the proposal, the Group Chief Human Resources Officer explained that the last increase in directors' compensation was in 2015 when the shareholders approved the increase in monthly allowance from PHP100,000 to PHP120,000 for members of the Board, and from PHP150,000 to PHP180,000 for the Chairman of the Board. Since then, the companies' businesses have expanded in scope and became more complicated in nature. There is thus a need to increase the remuneration of the directors so that it remains comparable with companies that have the same Board size, revenue, assets, and market capitalization. Upon the recommendation of the Board Corporate Governance Committee, the Board of Directors approved the proposal during its March 7, 2019 board meeting, and resolved to endorse the same for approval by the shareholders in the 2019 ASM on April 22, 2019

AEV and AboitizPower reward their corporate officers based on their individual performance and on their ability to execute their duties and responsibilities effectively. Both companies regularly report the names of their five highest paid corporate officers, including the Chief Executive Officer, in their respective Annual Reports (SEC Form 17-A). They believe that this provides sufficient information on director and executive remuneration, while maintaining the privacy of the individuals concerned in compliance with applicable laws and regulations.

The Group engages the services of independent remuneration consultants to determine the compensation, as well as any annual merit increases, for directors, officers, and team members. Factors such as inflation and consumer price index are taken into account to ensure that the compensation structure will sustain the Group's competitiveness while also attracting and retaining the best talent. The results of the study are then presented and discussed during the company's first Corporate Governance Committee meeting for the year.

Attendance at Board and Board Committee Meetings

Board directors are expected to serve with diligence. In 2018, the AEV Board held 11 meetings and the AboitizPower Board had 13 meetings, both regular and special. Board committees usually meet at least twice a year, except for the Board Audit Committee

that meets at least four times in a year. The schedule for the regular Board and committee meetings for the upcoming year is also approved and distributed to Board directors before the start of the year.

2018 Board and Board Committees Attendance Record

	AEV	AboitizPower
Board of Directors	88%	90%
Corporate Governance Committee	100%	93%
Audit Committee	85%	92%
Risk and Reputation Management Committee	90%	96%
RPT Committee	100%	89%
Executive Committee	80%	80%

Corporate Governance Policies

Amended Manual on Corporate Governance

205-1, 205-2, 205-3

The Group's governance framework and practices are codified in the Manuals of AEV and AboitizPower. These contain the Group's plan to comply with the Organisation for Economic Cooperation and Development (OECD) principles on corporate governance, and are regularly reviewed and updated to ensure that these are at par with the best corporate governance practices in the Philippines and the ASEAN Region.

In 2018, AEV and AboitizPower approved revisions in their respective Manuals that adopted emerging best corporate governance practices, documented existing best practices, such as using professional search

firms to source board nominees, the availability of alternative dispute resolution to resolve stakeholder disputes, and formalized the assessment processes for directors and key officers.

Key Company Policies

102-33, 205-1, 205-2, 205-3, 206-1

As noted earlier, each company's Manual is supported by various company policies that are regularly reviewed and issued by the Board of Directors. These include the Code of Ethics and Business Conduct (Code of Ethics), Revised General Trading Policy, Whistleblowing Policy, Conflict of Interest Policy, Data Privacy Policy, and RPT Policy.

Both companies ensure that their respective Code of Ethics is cascaded to new team members as part of their onboarding processes. Team members are also required to sign an affirmation that they have read the Code of Ethics. They are expected to act professionally, fairly, and with integrity in all of their business dealings, and to comply with all applicable laws and regulations, including those against bribery and corruption.

To support the implementation of their respective Manual and Code of Ethics, AEV and AboitizPower each have a Whistleblowing Policy. Through this policy, allegations of violations of the Manual, the Code of Ethics, or of other illegal conduct can be reported through an internal portal or through the company's website. Matters reported through the whistleblowing platform are discussed by the Board Corporate Governance Committee and, if necessary, by the entire Board of Directors. Whistleblowers have the option of addressing complaints to any of the following officers: Chairman of the Board of Directors, President or Chief Executive Officer, Lead Independent Director, Compliance Officer, or Internal Audit Head. It is noteworthy that no corruption-related incidents were reported in 2018.

The Revised General Trading Policy supplements the commitment under the Code of Ethics to prevent the misuse of inside information, emphasizes reporting and disclosing material information, and the rule on prohibited insider trading. AEV and AboitizPower, as listed companies, are required to report transactions of company shares by their directors and officers. To ensure the strict compliance with this requirement, directors and

officers are advised of their disclosure obligations during their onboarding with the Group. The company's Compliance Officer also sends out a monthly reminder to directors and officers to disclose their transactions. In 2018, there was no incident of non-compliance with this requirement.

Economic, Social, and Environmental Impact

102-20, 102-21, 102-29, 102-30, 102-31

The Aboitiz Group is committed to balance economic growth, social development, and environmental stewardship in the conduct of its businesses, adopting the principles of sustainability to balance the interests of people, planet, and profit. The Group has attained and maintained a good health, safety, and environmental track record, clear proof that an enterprise can align itself to the principles of sustainability while operating profitable businesses.

The Group's Sustainability Report outlines the coordinated efforts of the sustainability stewards in the business units to improve and enhance the Group's performance on team member engagement and development, corporate social responsibility, customer focus, disaster resilience, carbon emissions reduction, resource efficiency, renewable energy, waste management, financial growth, and financial returns.

Transparency, Communication, and Sustainability Reporting

102-32, 102-33, 102-34

The Group's governance framework includes the timely and accurate disclosure of all material information regarding AEV and AboitizPower. Information includes earnings results, acquisitions or disposals of assets, Board changes, RPTs, shareholdings of directors, and changes in ownership.

In addition, the Group's Consolidated Annual and Sustainability Report (integrated report based on the Global Reporting Initiative [GRI] G4 framework) sets out its values and governance model. It also demonstrates the link between the Group's strategy and its commitment to a sustainable global economy. Through the integrated report, Aboitiz is

able to measure, understand, and communicate its economic, environmental, social and governance performance. From these, goals can then be set, and change managed more effectively.

Rights of Shareholders

102-21, 102-29

The rights of shareholders are of paramount importance in the AEV and AboitizPower By-laws, Code of Ethics, and Manuals. The goal is to ensure the protection of shareholder interests and concerns through the free exercise of shareholder rights. Among the rights of these shareholders, regardless of the number of shares they own, are to receive notices of and to attend shareholders' meetings; to participate and vote on the basis of the one-share, one-vote policy; nominate and elect Board members (including via cumulative voting); inspect corporate books and records; vote in person or in absentia through proxy; receive dividends; and ratify corporate action.

The Aboitiz Group believes that the rights and interests of minority shareholders are aligned to those of the controlling shareholders, not only in terms of returns on their investments, but also in the sustainability of the Group's businesses. AEV and AboitizPower ensure timely disclosure to shareholders regarding their respective businesses, and that shareholders receive dividends in accordance with established dividend policies.

The Board Secretariat has adopted certified Board protocols and procedures under the ISO 9001:2015 Management Board and System to ensure the effectiveness of Board and shareholders' commitments. This includes coordination with stock transfer agents to ensure appropriate responses to and timely resolution of shareholders' queries and requests.

Conflict of Interest

102-25

The Aboitiz Group believes that it is the duty of the Board of Directors to advance the Group's

interests and those of its stakeholders. To this end, AEV and AboitizPower have each adopted a Policy on Conflict of Interest, which promotes an ethical corporate culture and prohibits directors, officers, team leaders, and team members from taking advantage of access to corporate property and proprietary information for personal gain. The policy also encourages the disclosure of relationships, actions, or transactions that may give rise to a conflict of interest.

In addition, AEV and AboitizPower directors are required to abstain or inhibit themselves from any Board discussion or decision that affects or has relevance or relation to their personal, business or professional interests; are prohibited from engaging in any business that competes with or is antagonistic to the Group; and must notify the Board, through the Corporate Secretary, prior to accepting any directorship outside the Aboitiz Group during their term.

Project Concordia: A Unified Compliance Management System

The Aboitiz Unified Compliance Management System, or Project Concordia, was launched in 2017 as a system that will raise the compliance maturity levels throughout the Aboitiz Group, and to improve performance based on an integrated governance, risk, and compliance framework. At the end of 2018, the Group completed the development of the data governance platform and the system is now undergoing user acceptance training.

By combining technology with a strong culture and a progressive and diligent Board and Management, the Aboitiz Group hopes to sustain the strides it has made in 2018 to create more value, while being led by its core values of integrity, teamwork, innovation, and responsibility.

Our PSE Scorecard

	Aboitiz Equity Ventures, Inc.	Aboitiz Power Corporation
Develops and executes a sound business strategy		
Establishes a well-structured and functioning board		
Maintains a robust internal audit and control system		
Recognizes and manages its enterprise risks		
Ensures the integrity of financial reports as well as its external auditing function		
Respects and protects the rights of its shareholders, particularly those that belong to the minority or non-controlling group		
Adopts and implements an internationally-accepted disclosure and transparency regime		
Respects and protects the rights and interests of employees, community, environment, and other stakeholders		
Does not engage in abusive related-party transactions and insider trading		
Develops and nurtures a culture of ethics, compliance, and enforcement		

Group Awards

COMPANY	AWARD	CATEGORY
AEV	Public Relations Society of the Philippines 53 rd Anvil Awards	<ul style="list-style-type: none"> • Gold Award – AGORA Intranet Portal • Silver Award – Aboitiz No Impact Challenge • Silver Award – Aboitiz Groupwide Simultaneous Tree-Planting
	In-House Community – Counsels of the Year Awards 2018	<ul style="list-style-type: none"> • In-House Legal Team of the Year – Conglomerate • In-House Legal Team of the Year – Integration
	FinanceAsia Asia's Best Companies 2018	<ul style="list-style-type: none"> • Most Committed to Corporate Governance (Ranked 9th) • Best CFO - Manuel R. Lozano (Ranked 3rd)
	Institute of Corporate Directors ASEAN Corporate Governance Scorecard 2017	<ul style="list-style-type: none"> • Top-performing Publicly Listed Company in the Philippines
	IABC 16 th Philippine Quill Awards	<ul style="list-style-type: none"> • Top Communication Management – "Let's drive change for a better world: The Aboitiz No Impact Challenge" • Top Company of the Year – 2nd Runner-up • Aboitiz Social Media Transformation – Professional Excellence Award • Aboitiz Digital Studio – Professional Excellence Award • Internal Social Media Education – Professional Excellence Award • My Tree, My ABC: The Aboitiz Simultaneous Tree-Planting Project – Professional Excellence Award • ABC: The Aboitiz Integrated Report – Professional Excellence Award • #WeatherWiser Nation Goes Digital – Professional Excellence Award • Project AGORA – Professional Merit Award • #Fit4U: The Aboitiz Team Member Engagement Program – Professional Merit Award
	Asian Legal Business – Philippine Law Awards 2018	<ul style="list-style-type: none"> • Philippine In-House Team of the Year
	2nd ASEAN Corporate Governance Awards	<ul style="list-style-type: none"> • Top 50 ASEAN PLCs – Aboitiz Equity Ventures
	IR Magazine Awards – South East Asia 2018	<ul style="list-style-type: none"> • Best IR during a corporate transaction • Best use of multimedia for IR
AboitizPower	Bureau of Customs Collection District XII	<ul style="list-style-type: none"> • Special Citation for 8th Top Importer in the Port of Davao for 2017 – Therma South, Inc.
	The City Government of Davao 'Pasidungog: Garbo sa Dabaw 2018'	<ul style="list-style-type: none"> • Top Real Property Taxpayer – Therma South, Inc. • Top Business Taxpayer – Davao Light & Power Co.
	In-House Community – Counsels of the Year Awards 2018	<ul style="list-style-type: none"> • In-House Legal Team of the Year – Energy & Natural Resources (Asia Winner)
	FinanceAsia Asia's Best Companies 2018	<ul style="list-style-type: none"> • Best Managed Companies in Asia Utilities Sector • Best Managed Company in the Philippines (Ranked 2nd) • Best CSR (Ranked 2nd) • Best Investor Relations (Ranked 7th)
	Institute of Corporate Directors ASEAN Corporate Governance Scorecard 2017	<ul style="list-style-type: none"> • Top-performing Publicly Listed Company in the Philippines
	IABC 16 th Philippine Quill Awards	<ul style="list-style-type: none"> • A Better Future with Cleanergy – Professional Merit Award
	Department of Environment and Natural Resources Environmental Management Bureau -Davao Region (DENR-EMB XI)	<ul style="list-style-type: none"> • Special Recognition – Hedcor, Inc.

COMPANY	AWARD	CATEGORY
AboitizPower	DepEd San Carlos City Division	• Certificate of Recognition – San Carlos Sun Power, Inc.
	2 nd ASEAN Corporate Governance Awards	• Top 50 ASEAN PLCs – Aboitiz Power Corporation
	26th SBMA Mabuhay Business Award 2018	• Service Business of the Year – Subic Enerzone Corporation
UnionBank	Public Relations Society of the Philippines 53 rd ANVIL Awards	• Silver Award – “A Higher Purpose” 2016 Annual Report • Certificate of Recognition – San Carlos Sun Power, Inc. • Silver Award – Selfie Banking Launch
	Global Banking and Finance Awards 2018	• Most Innovative Bank of the Year (Philippines) • Best Banking CEO (Philippines) – Edwin R. Bautista
	IABC 16th Philippine Quill Awards	• UnionBank 2016 Standalone Sustainability Report – Professional Merit Award
	Euromoney Awards of Excellence 2018	• Best Bank Transformation in Asia
	2018 Philippines Best Brand Awards	• Brand Technology Leadership Award
	2018 Stevie Awards for Great Employers	• Bronze Stevie Award for Achievement for HR Technology – "One UnionBanker Hub, One Place Just for U" • Silver Stevie Award for Chief Human Resources Officer of the Year – Michelle E. Rubio
	International Banker Banking Awards 2018	• Best Innovation in Retail Banking Philippines • Best Banking CEO of the Year Asia – Edwin R. Bautista
	2018 Stevie® Awards for Great Employers	• Achievement in HR Technology (Bronze Stevie)
Asia CEO Awards 2018	• Circle of Excellence Green Company of the Year	
CitySavings	PricewaterhouseCoopers	• External Quality Assessment: 'Generally Conforms' Rating
	LANDBANK 2018 Gawad CFI	• Group Level Awards Outstanding Thrift Bank
	Global Banking and Finance Awards 2018	• Best CSR Bank Philippines 2018
Pilmico	Public Relations Society of the Philippines 53 rd ANVIL Awards	• Gold Award – Tinapay Natin Pinoy Bread Baking Competition
Republic Cement Group	Municipality Government of Norzagaray	• Top Ten Taxpayers in the Municipality for 2017
	2018 Investors in People Awards	• Silver Level accreditation
Aboitiz Foundation	Public Relations Society of the Philippines 53 rd Anvil Awards	• Silver Award – WeatherPhilippines’ Building A #WeatherWiser Nation
WeatherPhilippines	IABC Philippines 15th Philippine Quill Awards	• Award of Excellence, Non-profit Campaign – #WeatherWiser Nation • Top Award for Communication Management – WeatherPhilippines Foundation, Let’s Build a #WeatherWiser Nation campaign

Board of Directors

Aboitiz Equity Ventures, Inc.



(LEFT TO RIGHT) Raphael, Mikel, Jose, Edwin

Enrique M. Aboitiz
Chairman of the Board

Mikel A. Aboitiz
Vice Chairman of the Board

Erramon I. Aboitiz
Director

Sabin M. Aboitiz
Director



(LEFT TO RIGHT) Ana, Enrique, Erramon, Sabin, Manuel

Ana A. Delgado
Director

Edwin R. Bautista
Director

Raphael P.M. Lotilla
Lead Independent Director

Jose C. Vitug
Independent Director

Manuel R. Salak III
Independent Director

Corporate Officers

Aboitiz Equity Ventures, Inc.



Erramon I. Aboitiz
President
Chief Executive Officer



Sabin M. Aboitiz
Executive Vice President
Chief Operating Officer



Xavier Jose M. Aboitiz
Senior Vice President
Chief Human Resources Officer
(retired December 2018)



Susan V. Valdez
Senior Vice President
Chief Human Resources Officer



Christopher P. Beshouri
Executive Director
Chief Strategy Officer



Horacio C. Elicano
First Vice President
Information Security and
Quality Assurance
(as of December 31, 2018)



Melinda R. Bathan
First Vice President
Comptroller



Manuel Alberto R. Colayco
First Vice President
Chief Legal and Compliance Officer
Corporate Secretary



Luis Miguel O. Aboitiz
Senior Vice President



Manuel R. Lozano
Senior Vice President
Chief Financial Officer
Corporate Information Officer



Robert McGregor
Executive Director
Chief Investments Officer



Gabriel T. Mañalac
Senior Vice President
Group Treasurer



Jojo S. Guingao
Senior Vice President
Chief Digital Officer



David Jude L. Sta. Ana
Senior Vice President
Chief External Affairs Officer



Annacel A. Natividad
First Vice President
Chief Risk Officer



Beverly B. Tolentino
First Vice President
CSU Finance Planning and Projects

Business Unit Heads

Aboitiz Equity Ventures, Inc.



Erramon I. Aboitiz
President
Chief Executive Officer
Aboitiz Power Corporation

Chief Executive Officer
Aboitiz Land, Inc.
(as of December 2018)



Antonio R. Moraza
President
Chief Operating Officer
Aboitiz Power Corporation
(retired August 2018)



Jaime Jose Y. Aboitiz
Executive Vice President
Chief Operating Officer
Distribution Business Group
Aboitiz Power Corporation



Edwin R. Bautista
President
Chief Executive Officer
Union Bank of the Philippines



Lorenzo T. Ocampo
President
Chief Executive Officer
City Savings Bank, Inc.



Adrian Alfonso T. Ocampo
President
Chief Executive Officer
PETNET, Inc.



Emmanuel V. Rubio
Executive Vice President
Chief Operating Officer
Aboitiz Power Corporation



Felino M. Bernardo
Executive Vice President
Chief Operating Officer
Generation Business Group
Aboitiz Power Corporation



Sabin M. Aboitiz
President
Chief Executive Officer
Pilmico Foods Corporation

President
Chief Executive Officer
Aboitiz InfraCapital, Inc.



Gerald Franz Wilflingseder
General Manager
Gold Coin Management Holdings Limited



Cosette V. Canilao
Senior Vice President
Chief Operating Officer
Aboitiz InfraCapital, Inc.



David L. Rafael
President
Chief Executive Officer
Aboitiz Land, Inc.

Management Directory

Aboitiz Equity Ventures, Inc.

Board of Directors

Enrique M. Aboitiz
Chairman of the Board

Mikel A. Aboitiz
Vice Chairman of the Board

Erramon I. Aboitiz
Director

Sabin M. Aboitiz
Director

Ana A. Delgado
Director

Edwin R. Bautista
Director

Raphael P.M. Lotilla
Lead Independent Director

Jose C. Vitug
Independent Director

Manuel R. Salak III
Independent Director

Corporate Officers

Erramon I. Aboitiz
President
Chief Executive Officer

Sabin M. Aboitiz
Executive Vice President
Chief Operating Officer

Luis Miguel O. Aboitiz
Senior Vice President

Manuel R. Lozano
Senior Vice President
Chief Financial Officer
Corporate Information Officer

Xavier Jose M. Aboitiz
Senior Vice President
Chief Human Resources Officer
(retired December 2018)

Susan V. Valdez
Senior Vice President
Chief Human Resources Officer

Robert McGregor
Executive Director
Chief Investments Officer

Christopher P. Beshouri
Executive Director
Chief Strategy Officer

Gabriel T. Mañalac
Senior Vice President
Group Treasurer

Jojo S. Guingao
Senior Vice President
Chief Digital Officer

David Jude L. Sta. Ana
Senior Vice President
Chief External Affairs Officer

Horacio C. Elicano
First Vice President
Information Security and
Quality Assurance
(as of December 2018)

Melinda R. Bathan
First Vice President
Comptroller

Manuel Alberto R. Colayco
First Vice President
Chief Legal and Compliance Officer
Corporate Secretary

Annacel A. Natividad
First Vice President
Chief Risk Officer

Beverly B. Tolentino
First Vice President
CSU Finance Planning and Projects

Christopher M. Camba
Vice President
Government Relations

Kenneth Matthew T. Chua
Vice President
Strategy

Marwell D. Dalangin
Vice President
Digital Solutions and Platforms

Julie Ann T. Diongzon
Vice President
Treasury Services Group

Ricardo F. Lacson
Vice President
Risk Management
Data Privacy Officer

Maria Luisa L. Marasigan
Vice President
Reputation Management

Ma. Clarice U. Marucut
Vice President
Investments

Mary Geraldine P. Onganon
Vice President
Chief of Staff

Ma Analina Y. Pedro
Vice President
Group Attraction

Alymerita C. Peñaloza
Vice President
Project Finance

Susan S. Policarpio
Vice President
Government Relations

Maria Veronica C. So
Vice President
Treasury Services Group

Maria Elizabeth L. Tan Chong
Vice President
Strategic HR Business Partner

Maria Lourdes Y. Tanate
Vice President
Group Internal Audit

Joseph Y. Tugonon
Vice President
Tax Advisory and Compliance

Marlita M. Villacampa
Vice President
Deputy Controller

Martin John S. Yasay
Vice President
Government Relations

Ruby O. Jaucian
Vice President
Talent Optimization and Retention

Pagan N. Arches-Reyes
Assistant Vice President
Contracts and Commercial Transactions

Anna Denise R. Alampay
Assistant Vice President
Sustainability

Maricar L. Bautista
Assistant Vice President
Media Relations

Francis S. Cabanban
Assistant Vice President
Technology Governance

Lehua L. Cabrera
Assistant Vice President
Labor Relations and Compliance

Mailene M. Dela Torre
Assistant Vice President
Corporate Secretary

Annalyn S. Espia
Assistant Vice President
IT Managed Services

Marc Daniel K. Dy
Assistant Vice President
Corporate Finance

Leah I. Geraldez
Assistant Vice President
Corporate Compliance

Raul N. Imperial
Assistant Vice President
Risk Management

Kenneth M. Lim
Assistant Vice President
Information Systems

Lorna Grace C. Mamaril
Assistant Vice President
Finance

Pascualito Timothy D. Masion
Assistant Vice President
IT Operations

Olyzza O. Mellomida
Assistant Vice President
Accounting

Richs S. Onipon
Assistant Vice President
Digital Transformation and Delivery

Hyacinth R. Antonio
Assistant Vice President
Litigation and Dispute Resolution

Francisco Victor G. Salas
Assistant Vice President
Investor Relations

Jose Grego U. Sitoy
Assistant Vice President
IT Security

Percival Vincent P. Tan
Assistant Vice President
Government Relations

Bethuel V. Tanupan
Assistant Vice President
Tax Advisory and Compliance Services

Andy G. Torrato
Assistant Vice President
Physical Assets Security

Patricia Anna C. Valles
Assistant Vice President
Corporate Communications

Board Committees

Board Corporate Governance Committee

Raphael P. M. Lotilla
Lead Independent Director
Chairman of the Committee

Mikel A. Aboitiz
Vice Chairman of the Board
Member of the Committee

Jose C. Vitug
Independent Director
Member of the Committee

Enrique M. Aboitiz
Chairman of the Board
Member of the Committee

Manuel R. Salak III
Independent Director
Member of the Committee

Board Audit Committee

Jose C. Vitug
Independent Director
Chairman of the Committee

Enrique M. Aboitiz
Chairman of the Board
Member of the Committee

Mikel A. Aboitiz
Vice Chairman of the Board
Member of the Committee

Raphael P.M. Lotilla
Lead Independent Director
Member of the Committee

Manuel R. Salak III
Independent Director
Member of the Committee

Board Risk and Reputation Management Committee

Enrique M. Aboitiz
Chairman of the Board
Chairman of the Committee

Mikel A. Aboitiz
Vice Chairman of the Board
Member of the Committee

Erramon I. Aboitiz
Director
Member of the Committee

Sabin M. Aboitiz
Director
Member of the Committee

Manuel R. Salak III
Independent Director
Member of the Committee

Jose C. Vitug
Independent Director
Member of the Committee

Raphael P. M. Lotilla
Lead Independent Director
Member of the Committee

Board Executive Committee

Erramon I. Aboitiz
Director
Chairman of the Committee

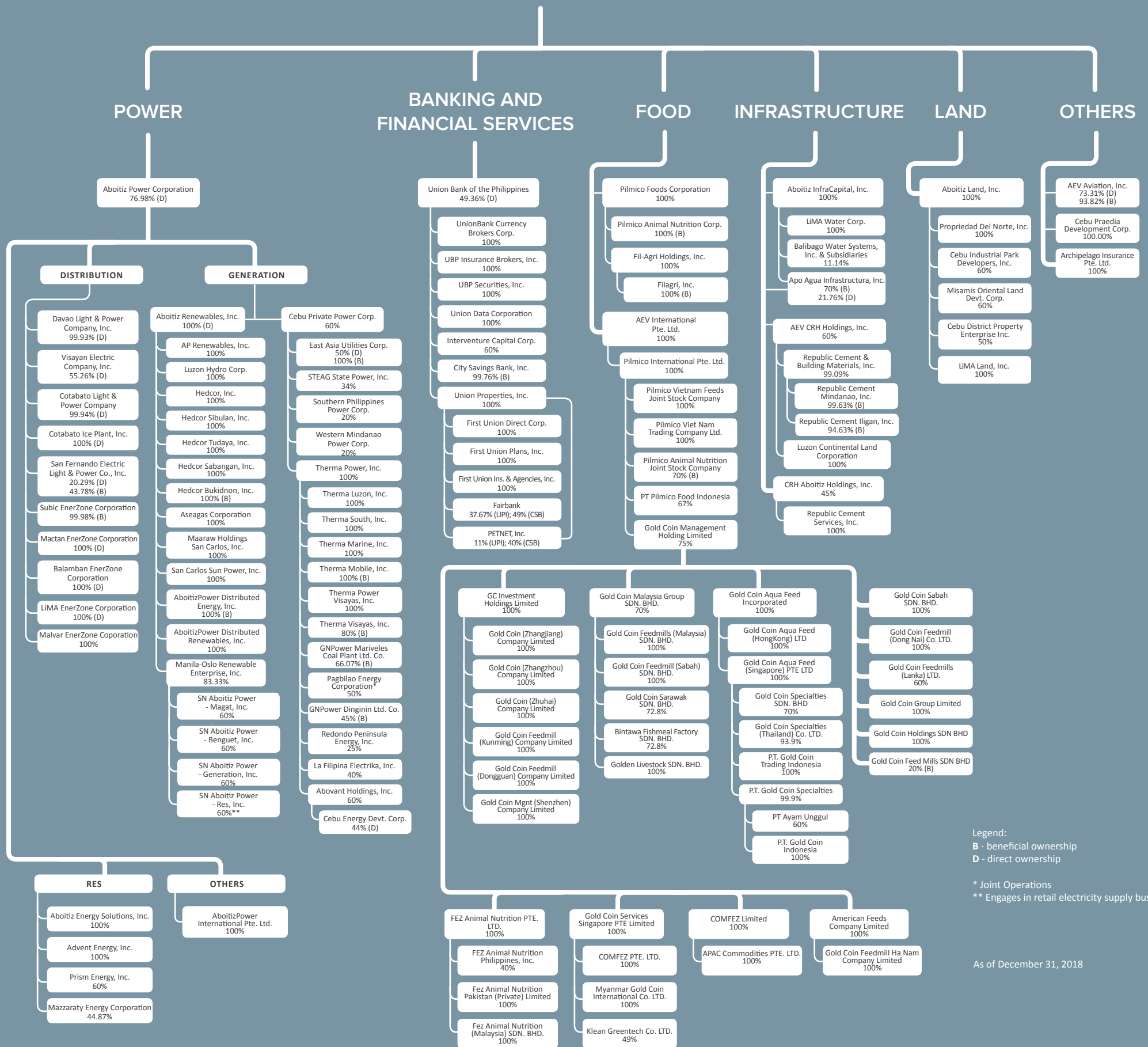
Enrique M. Aboitiz
Chairman of the Board
Member of the Committee

Mikel A. Aboitiz
Vice Chairman of the Board
Member of the Committee

Sabin M. Aboitiz
Director
Member of the Committee

Edwin R. Bautista
Director
Member of the Committee

ABOITIZ EQUITY VENTURES, INC.



Legend:
 B - beneficial ownership
 D - direct ownership
 * Joint Operations
 ** Engages in retail electricity supply business

As of December 31, 2018



(LEFT TO RIGHT) Jaime, Romeo, Luis, Eric

Mikel A. Aboitiz
Chairman of the Board

Enrique M. Aboitiz
Vice Chairman of the Board

Erramon I. Aboitiz
Director

Luis Miguel O. Aboitiz
Director



(LEFT TO RIGHT) Erramon, Enrique, Mikel, Danel, Carlos

Jaime Jose Y. Aboitiz
Director

Danel C. Aboitiz
Director

Romeo L. Bernardo
Lead Independent Director

Carlos C. Ejercito
Independent Director

Eric Ramon O. Recto
Independent Director

Corporate Officers

Aboitiz Power Corporation



Erramon I. Aboitiz
President
Chief Executive Officer



Antonio R. Moraza
President
Chief Operating Officer
(retired August 2018)



Jaime Jose Y. Aboitiz
Executive Vice President
Chief Operating Officer
Distribution Business Group



Juan Antonio E. Bernad
Executive Vice President
Regulatory and Strategy Affairs
(retired December 2018)



Robert McGregor
Executive Director
Chief Investment Officer



Christopher B. Sangster
Executive Director
Business Development
Project Development and Execution



Emmanuel V. Rubio
Executive Vice President
Chief Operating Officer



Felino M. Bernardo
Executive Vice President
Chief Operating Officer
Generation Business Group



Luis Miguel O. Aboitiz
Executive Vice President
Chief Strategy Officer



Susan V. Valdez
Senior Vice President
Chief Reputation and
Risk Management Officer



Liza Luv T. Montelibano
Senior Vice President
Chief Financial Officer
Corporate Information Officer



Gabriel T. Mañalac
Senior Vice President
Group Treasurer



John A. Crane
Senior Director
Business Development



Torbjorn Elliot Kirkeby-Garstad
Senior Director
Business Development



Joseph Trillana T. Gonzales
First Vice President
General Counsel and Compliance Officer

Corporate Officers

Aboitiz Power Corporation



Manuel Alberto R. Colayco
First Vice President
Corporate Secretary



Juan Alejandro A. Aboitiz
First Vice President
Energy Trading and Sales



Ana Liza M. Aleta
First Vice President
Corporate Services



Alvin S. Arco
First Vice President
Regulatory Affairs



Ma. Chona Y. Tiu
First Vice President
Chief Financial Officer
Distribution Business Group



Maria Racquel J. Bustamante
First Vice President
Chief Financial Officer
Generation Business Group



Dennis Edward A. de la Serna
First Vice President
Regulatory Affairs

Business Unit Heads

Aboitiz Power Corporation



Joseph S. Yu
Executive Vice President
Chief Executive Officer
SN Aboitiz Power Group



Daniel C. Aboitiz
President
Chief Operating Officer
Coal Business Unit



Carlos Ramon C. Aboitiz
President
Chief Operating Officer
Hedcor



Celso C. Caballero III
President
Chief Operating Officer
Oil Business Unit



Alexander B. Coo
President
Chief Operating Officer
Geothermal and Solar Business Units



Anton Mari G. Perdices
Executive Vice President
Chief Operating Officer
Visayan Electric Company



Dante T. Pollescas
President
Chief Operating Officer
Subic, Balamban, Mactan, LIMA,
and Malvar EnerZones



Rodger S. Velasco
President
Chief Operating Officer
Davao Light and Power Company



Ben C. Arkoncel
President
Chief Operating Officer
Cotabato Light and Power Company

Management Directory

Aboitiz Power Corporation

Board of Directors

Mikel A. Aboitiz
Chairman of the Board

Enrique M. Aboitiz
Vice Chairman of the Board

Erramon I. Aboitiz
Director

Luis Miguel O. Aboitiz
Director

Jaime Jose Y. Aboitiz
Director

Danel C. Aboitiz
Director

Carlos C. Ejercito
Independent Director

Romeo L. Bernardo
Lead Independent Director

Eric Ramon O. Recto
Independent Director

Corporate Officers

Erramon I. Aboitiz
President
Chief Executive Officer

Antonio R. Moraza
President
Chief Operating Officer
(retired August 2018)

Emmanuel V. Rubio
Executive Vice President
Chief Operating Officer

Luis Miguel O. Aboitiz
Executive Vice President
Chief Strategy Officer

Felino M. Bernardo
Executive Vice President
Chief Operating Officer
Generation Business Group

Jaime Jose Y. Aboitiz
Executive Vice President
Chief Operating Officer
Distribution Business Group

Juan Antonio E. Bernad
Executive Vice President
Regulatory and Strategy Affairs
(Retired December 2018)

Gabriel T. Mañalac
Senior Vice President
Group Treasurer

Susan V. Valdez
Senior Vice President
Chief Reputation and
Risk Management Officer

Liza Luv T. Montelibano
Senior Vice President
Chief Finance Officer
Corporate Information Officer

Robert McGregor
Executive Director
Chief Investment Officer

Christopher B. Sangster
Executive Director
Business Development
Project Development and Execution

John Anthony Crane
Senior Director
Business Development

Torbjorn Elliot Kirkeby-Garstad
Senior Director
Business Development

Joseph Trillana T. Gonzales
First Vice President
General Counsel and Compliance Officer

Manuel Alberto R. Colayco
First Vice President
Corporate Secretary

Juan Alejandro A. Aboitiz
First Vice President
Energy Trading and Sales

Ana Liza M. Aleta
First Vice President
Corporate Services

Alvin S. Arco
First Vice President
Regulatory Affairs

Ma. Chona Y. Tiu
First Vice President
Chief Financial Officer
Distribution Business Group

Maria Racquel J. Bustamante
First Vice President
Chief Financial Officer
Generation Business Group

Dennis Edward A. de la Serna
First Vice President
Regulatory Affairs

Timothy Joseph P. Abay
Vice President
Finance

Katrina Michaela D. Calleja
Vice President
Corporate Branding and Communication

Marco R. Carlos
Vice President
Safety, Health, Environment and Security

Reynaldo B. Felix
Vice President
Customer Service Group

Katrina M. Platon
Vice President
Legal for Regulatory Affairs

Noel M. Gonzales
Vice President
Project Implementation

Nemeley F. Jabla
Vice President
Trading

Cherry A. Javier
Vice President
Industry Affairs

Raul D. Lucero
Vice President
Engineering

Ma. Consolacion C. Mercado
Vice President
Regulatory
Distribution Business Group

Ma. Kristina Cinderella V. Rivera
Vice President
Human Resources

Raymond Carl R. Roseus
Vice President
Industry Relations

Lee Hazel T. Balague
Vice President
Business Development

Crisanto R. Laset, Jr.
Vice President
Trading
(retired December 2018)

Bienamer D. Garcia
Vice President
Customer Service
Distribution Business Group
(retired June 2018)

Francisco Victor G. Salas
Assistant Vice President
Investor Relations

Kathleen M. Aujero
Assistant Vice President
HR Operations

Aladino B. Borja
Assistant Vice President
Information Technology

Dennis S. Verallo
Assistant Vice President
Utility Economics

Rolando V. Vergara, Jr.
Assistant Vice President
Regulatory and Business Process

Noreen Marie N. Vicencio
Assistant Vice President
Enterprise Risk Management

James Byron P. Yu
Assistant Vice President
Energy Marketing

Dennis R. Siaton
Assistant Vice President
Regulatory Affairs

Paul B. Sorino
Assistant Vice President
Regulatory Affairs-Legal

Wilfredo A. Rodolfo III
Assistant Vice President
Corporate Branding and Communication

Rowena V. Romero
Assistant Vice President
Commercial Support Services

Lemuel P. Quilos
Assistant Vice President
IT Operations

Clovis B. Racho
Assistant Vice President
Procurement and Logistics

Joey C. Rivera
Assistant Vice President
Energy and RES Accounting

Robert Alexander U. Camay
Assistant Vice President
Information Systems Management

Mark Albert B. Canlas
Assistant Vice President
Project Development (Developer)

Gil G. Cardiel
Assistant Vice President
Geosciences

Belen B. Catanduanes
Assistant Vice President
Human Resources

Ronald G. Chan
Assistant Vice President
IT Communications

Benedick M. Salvador
Assistant Vice President
Energy Sales - Regulated

Catherine D. Pasilaban
Assistant Vice President
Energy Sales and Regulatory

Joefry T. Paulo
Assistant Vice President
Project Development

Carlos Copernicus S. Payot
Assistant Vice President
Accounting Operations Head

Nelson V. Perez
Assistant Vice President
Compliance Head

Saturnino E. Nicanor Jr.
Assistant Vice President
Group Internal Audit

Roberto V. Orozco
Assistant Vice President
Civil Site Construction

Angeles V. Dico
Assistant Vice President
Accounting Operations

Myla M. Espineda
Assistant Vice President
DOP Management and Special Projects

Angeli A. Parcia
Assistant Vice President
Generation Finance

Annabel N. Gatdula
Assistant Vice President
IT Portfolio and Project Management

Gedeon L. Gavan Jr.
Assistant Vice President
Distribution Finance

Abbey Gail M. Goyena
Assistant Vice President
Talent Management

Joan Margareth C. Hao
Assistant Vice President
Business Process and Quality Management

Sasha S. Jamero
Assistant Vice President
Controller

Marnie F. Mañalac
Assistant Vice President
Strategy and Performance Management

Cheryll Len V. Mendoza
Assistant Vice President
Energy and Legal Affairs

Rene T. Sta. Maria, Jr.
Assistant Vice President
Business Solutions

Rodelio C. Jaucian
Assistant Vice President
Equipment and Controls

Daniel Otaegui
Assistant Vice President
Mechanical Engineer

Iara Victoria B. Arcilla
Assistant Vice President
Business Development

Alfred Rudolf Ziegler
Assistant Vice President
Power Generators

Jose Rafael R. Mendoza
General Manager
AboitizPower Distributed Energy, Inc.

Board Committees

Board Corporate Governance Committees

Romeo L. Bernardo
Lead Independent Director
Chairman of the Committee

Erramon I. Aboitiz
Director
Member of the Committee

Carlos C. Ejercito
Independent Director
Member of the Committee

Mikel A. Aboitiz
Chairman of the Board
Member of the Committee

Eric Ramon O. Recto
Independent Director
Member of the Committee

Board Audit Committee

Carlos C. Ejercito
Independent Director
Chairman of the Committee

Mikel A. Aboitiz
Chairman of the Board
Member of the Committee

Enrique M. Aboitiz
Vice Chairman of the Board
Member of the Committee

Romeo L. Bernardo
Lead Independent Director
Member of the Committee

Eric Ramon O. Recto
Independent Director
Member of the Committee

Board Risk and Reputation Management Committee

Enrique M. Aboitiz
Chairman of the Board
Chairman of the Committee

Mikel A. Aboitiz
Director
Member of the Committee

Jaime Jose Y. Aboitiz
Director
Member of the Committee

Carlos C. Ejercito
Independent Director
Member of the Committee

Eric Ramon O. Recto
Independent Director
Member of the Committee

Romeo L. Bernardo
Lead Independent Director
Member of the Committee

Board Executive Committee

Erramon I. Aboitiz
Director
Chairman of the Committee

Enrique M. Aboitiz
Vice Chairman of the Board
Member of the Committee

Mikel A. Aboitiz
Chairman of the Board
Member of the Committee

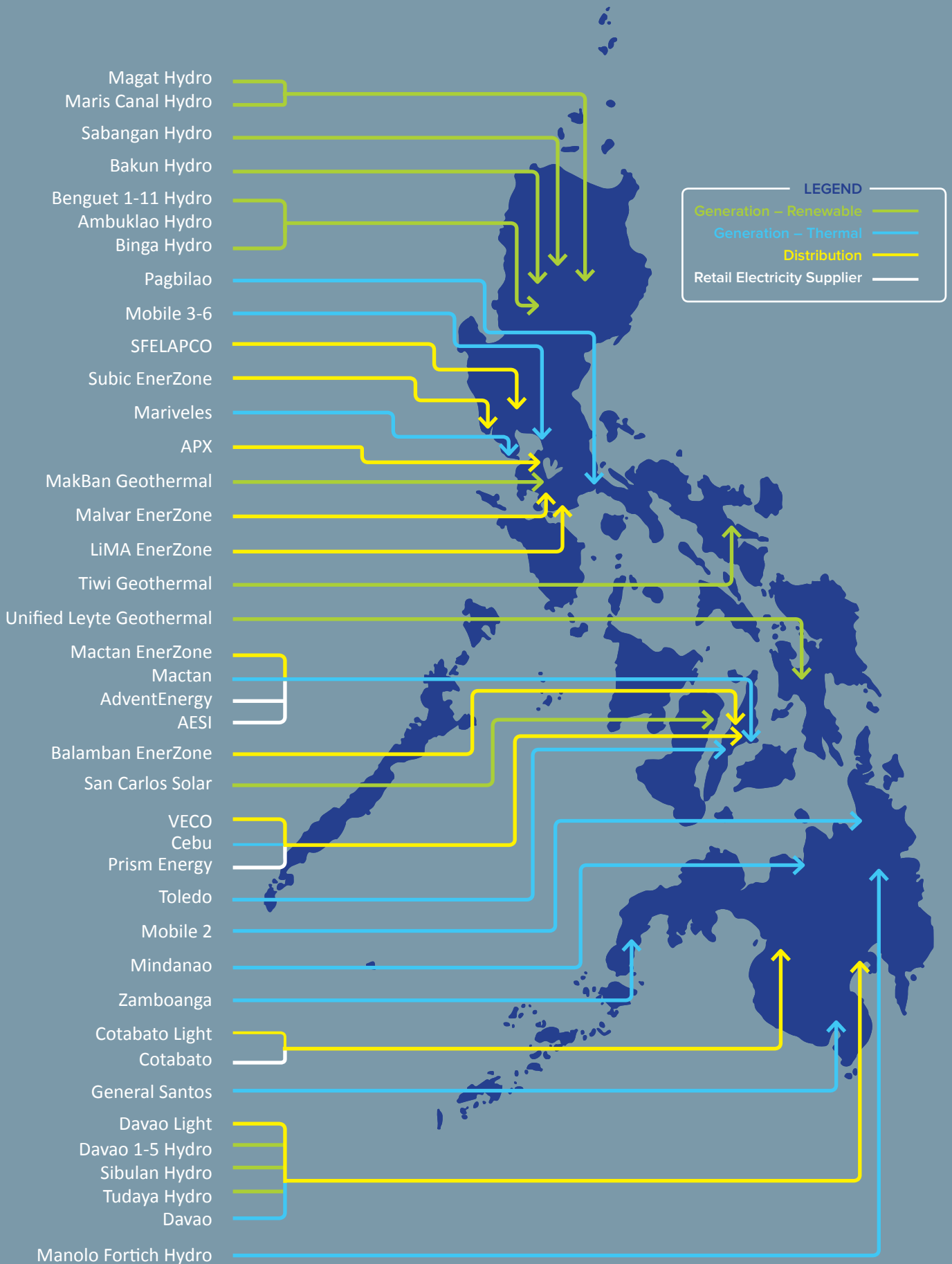
Jaime Jose Y. Aboitiz
Director
Member of the Committee

Luis Miguel O. Aboitiz
Director
Member of the Committee

Map of Operations

Aboitiz Power Corporation

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Board of Directors

Aboitiz Foundation, Inc.



(LEFT TO RIGHT) William, Luis, Anton, Susan, Emmanuel, Manuel

Erramon I. Aboitiz
Chairman of the Board

Susan V. Valdez
Trustee, President

Manuel R. Lozano
Trustee, Treasurer

Sabin M. Aboitiz
Trustee

Jaime Jose Y. Aboitiz
Trustee

Luis Miguel O. Aboitiz
Trustee



(LEFT TO RIGHT) Erramon, Sabin, Rafael, Tristan, Aurora, Jaime

Tristan Roberto C. Aboitiz
Trustee

Emmanuel V. Rubio
Trustee

Maria Aurora F. Tolentino
Independent Trustee

Anton Mari G. Perdices
Adviser

William W. Paradies
Adviser

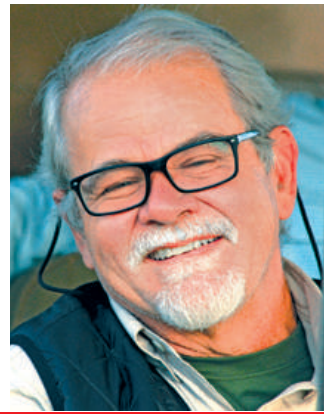
Rafael F. De Mesa
Adviser

BoardSpeak



“To win in this world of unintended consequences, our most powerful assets are attention 24 x 60 x 60 x 7 and engagement. We are not here to win. Anyone can win. We are here to bring home the gold!”

Enrique Aboitiz



“The world is rapidly changing right before our very eyes - we will need to juggle both uncertainty and growth through the eyes of anticipation and adaptability, anchored to our core values of integrity, teamwork, innovation, and responsibility.”

Mikel Aboitiz



“There are so many parallels between golf and business. One of the more important ones is that what really matters is how you execute and not what your intentions are. Execution is everything.”

Erramon Aboitiz



“I learned that your success in life is directly proportionate to the size of the funnel above your head. That funnel grows as your knowledge expands, so take in as much as you can!”

Sabin Aboitiz



“Companies that value loyalty to a mission and a vision will outperform those that value loyalty to a leader or an institution. It is the relentless pursuit of fulfilling a mission that drives people to learn, unlearn and relearn, fueling a culture of innovation and transformation.”

Ana Delgado



“Our transformation journey is a co-created success with our employees and customers. Technology is just an enabler. It is our obsession with our customers that drives us to continuously innovate and deliver unique experiences. You can never go wrong when you follow the customer.”

Edwin Bautista



“It’s a great pleasure to be an independent director of Aboitiz Equity Ventures’ board. It maintains a lean but highly professional key management, officers, and staff, as well as directors, who have diversified expertise and who excel with corporate affairs, independent judgement and integrity.”

Jose Vitug



“Serendipity led me to rather detailed Spanish maps of Tiwi steam fields in the late 1800s for thermal baths potential. Same fields today produce geothermal power. Adapting to technological advances key to harnessing age-old resources for more beneficial novel uses.”

Raphael Lotilla



“Being a new director, I am impressed by the professionalism exhibited during the sessions and how open and transparent the discussions were encouraged. I hope to contribute further to the company’s aspirations to do things better by sharing my experiences as a commercial and investment banker in Asia.”

Manuel Salak III



“Competition is fiercest when competitors have sunk costs. This is “textbook” rational microeconomic behavior. Ultimately it is good for the consumer. What appears to be irrational is the entry of new players in already saturated markets. They are buoyed by the strong tailwind of good times. Lessons are not learned from history, but from “reality” hitting the fan.”

Luis Miguel Aboitiz



“At its core, AboitizPower serves customers... and we do it well. But for us to really outperform everyone else, everything we do must yield a superior and exceptional customer experience. There is nothing more powerful than what a customer can do for a company.”

Jaime Jose Aboitiz



“In support of AboitizPower’s vision of 4,000 MW by 2020, the team at the Coal Business Unit continue to make ready for growth. We are focused on four pillars - developing human capital, execution excellence, stakeholder engagement, and preparing for growth. Together, we continue to make sustainable progress on all four pillars.”

Danel Aboitiz



“As an Independent Director, I learned that without the active participation of our shareholders, transparency, the constant search for a better way, professionalism and meritocracy, and risk awareness, AboitizPower will not have been the organization that it is today.”

Carlos Ejercito



“EPIRA is working; capacity and availability are up ahead of demand, and prices are down. Government needs to allow markets to work without excessive intervention. AP will operate in a more challenging environment where only the most efficient can prosper. And make the right long term decisions. I am confident it will.”

Romeo Bernardo



“I had the honour of joining your board last year as Independent Director. It has been a real pleasure working with my co-directors and our management team in an environment which notably has been one of the most open and constructive.”

Eric Ramon Recto

The Board Audit Committee Report to the Board of Directors

Aboitiz Equity Ventures, Inc.

The Board Audit Committee is pleased to present its report for the financial year ended December 31, 2018.

Audit Committee Responsibility

In giving effect to its duly approved charter, the Audit Committee assisted the Board of Directors in fulfilling its oversight responsibility to the Company and its stakeholders by providing advice relating to: (a) the adequacy and efficiency of the company's system of internal controls, governance and risk management processes; (b) the quality and integrity of the company's accounting, auditing, legal, ethical and regulatory compliances; (c) the annual independent audit of the Company's financial statements and the external auditors' qualification and independence; and (d) due observance of applicable laws and regulations that may have financial and other material exposure to the Company, as well as providing an avenue of communication among the independent auditors, the management, the internal audit and the Company.

The Committee has established a constructive and collaborative relationship with the Company's senior leadership to give support, but not to pre-empt any responsibility in making final audit-related decisions.

Committee Membership

The Audit Committee is composed of five (5) members, three (3) of whom are independent directors including its Chairman.

Jose C. Vitug, a retired Justice of the Supreme Court (an Independent Director) is the Chairman of the Committee. Other members of the committee are Atty. Raphael P. M. Lotilla (Independent Director), Manuel R. Salak III (Independent Director), Endika M. Aboitiz, Jr. (Non-Executive Director) and Mikel A. Aboitiz (Non-Executive Director).

Informatively, there were interim changes in the Committee composition. Manuel R. Salak III (Independent Director) replaced Stephen T. CuUnjieng (Independent Director); Jon Ramon Aboitiz (Non-Executive Director) replaced Justo A. Ortiz (Non-Executive Director).

Endika M. Aboitiz, Jr. was elected to replace Jon Ramon Aboitiz as Non-Executive Director and member of the Board Audit Committee upon the demise of the later in November 30, 2018.

Meetings and Attendance

The Audit Committee carried out its function through its meetings with management, internal auditors, independent external auditors, advisers, and others where appropriate.

The audit charter provides for the Committee to hold at least four (4) regular meetings a year, with the authority to convene special meetings when deemed required. It also holds an annual joint meeting with the Board Risk and Reputation Committee.

In 2018, five (5) meetings were held. The attendance by each member of the committee is as so indicated below:

Member	Mar 6, 2018 Regular Meeting	April 30, 2018 Regular Meeting	July 23, 2018 Regular Meeting	Oct. 22, 2018 Regular Meeting	Nov 21, 2018 Joint with Risk
JOSE C. VITUG Chairman, Independent Director	✓	✓	✓	✓	✓
RAPHAEL P. M. LOTILLA Independent Director	✓	✓	✓	✓	✓
STEPHEN T. CUUNJIENG Independent Director	✓	✓	N/A	N/A	N/A
MANUEL R. SALAK III Independent Director	N/A	N/A	X	X	✓
MIKEL A. ABOITIZ Non-Executive Director	✓*	✓	✓	✓	✓
JUSTO A. ORTIZ Non-Executive Director	✓	✓	N/A	N/A	X
JON RAMON ABOITIZ ⁽¹⁾ Non-Executive Director	N/A	N/A	✓	X	✓*

¹ Jon Ramon Aboitiz passed away November 30, 2018

* Attended via videocon

Attendees to these meetings also include the Group Internal Audit Head and, by invitation, the Chief Risk Officer, the Chief Financial Officer, Controller and other key leaders whenever deemed necessary or appropriate.

Financial Reports

The Board Audit Committee reviewed, discussed, and approved the 2018 quarterly unaudited consolidated financial statements. The Committee endorsed for approval by the Board the 2018 annual audited financial statements of Aboitiz Equity Ventures, Inc., its subsidiaries and alliances. Included in the review were the Management Discussion and Analysis of Financial Condition and Results of Operations following prior review and discussion with management, accounting, and the company's independent external auditor, SyCip Gorres Velayo & Co. (SGV) — a "member practice" of Ernst & Young (EY) in the Philippines.

The activities of the Audit Committee are performed in the context—

- That management has the primary responsibility for the financial statements and the financial reporting process; and
- That the Company's independent external auditor is responsible for expressing an unqualified opinion on the conformity and consistency of application of the Company's audited financial statements with Philippine Financial Reporting Standards.

External Auditors

Upon the endorsement of the Audit Committee to the Board which, in turn, sought the approval of the shareholders of Aboitiz Equity Ventures, Inc., during its Annual General Stockholders Meeting held last May 21, 2018, SyCip Gorres Velayo & Co. (SGV) was re-appointed as the independent external auditor for 2018 with Maria Veronica Andresa R. Pore as the signing partner for SGV.

The overall scope and audit plan of SGV were reviewed and approved during the October 22, 2018 regular Audit Committee meeting. The audit plan, fees and terms of engagement which covers audit-related services provided by SGV were also reviewed and found to be reasonable.

The results of the SGV audits and its assessment of the overall quality of the financial reporting process were presented and discussed during the first Audit Committee meeting the following year, February 26, 2019. SGV presented the effects of changes in relevant accounting standards and presentation of financial statements that impact on the reported results.

Non-audit services related to the conduct of post reviews and other procedures for the purpose of issuing a comfort letter in connection with the issuance of the P10.2 Billion bonds were provided by SGV in 2019; The Company also engaged SGV to provide financial and tax due diligence as well as to conduct trainings with regard to the adoption of new standards.

Internal Auditors

The Audit Committee is satisfied with the internal audit function and has assessed that it is operating effectively and to generally cover the risks pertinent to the company in its audits. The Committee has reviewed and approved the annual audit program for the year which also covers the adequacy of resources, qualifications and competency of the staff and independence of the internal auditor.

With reference to the IPPF Attribute Standard 1100 which states that *"The Internal Audit Activity must be independent, and internal auditors must be objective in performing their work."*, the Committee confirms that the function is executed effectively and internal auditors have conducted their responsibilities objectively and in an unbiased manner. The Committee further confirms that, to the best of its knowledge and belief, the auditors have no personal or other impediments that would prevent them from objectively planning, conducting, reporting, or otherwise participating and reaching independent conclusions in their audit assignments in 2018. Internal audit is organizationally positioned to be independent functionally-reporting to the Board Audit Committee and administratively to the President and Chief Executive Officer.

The Board Audit Committee is satisfied with the content and quality of reports prepared and issued by the internal auditors during the year under review.

The Group Internal Audit (GIA) remains to be the single-point-of-contact for the Audit Committee. It takes the lead in setting the standards, initiatives and overall direction of the group audit teams which, in turn, focus their reviews on the top risks of their respective business units. Information systems and technology-related risks however, still remain to be an area covered by the group information systems auditors.

Based on audit reports and highlights presented to the Committee and with the contribution provided by management and other key leaders on the issues raised to their attention, the Committee concurs with internal audit's assessment that, generally, there is reasonable assurance that the existing system of internal controls, risk management and governance allow for a generally adequate management of identified risks and effectively supports the improvement of the management of the Company as a whole. There is a need, however, to further strengthen governance and controls over security standards for information and related technologies particularly in relation to cybersecurity risks.

External Quality Assessment

The Internal Audit team of Aboitiz Equity Ventures, Inc., after undergoing an External Quality Assessment (EQA) review by the authorized validators of the Institute of Internal Auditors (IIA) Philippines that are duly accredited by the Institute of Internal Auditors (IIA) International, received the official EQAR results early 2018.

It is the opinion of the IIA that on the overall, the internal audit team of Aboitiz Equity Ventures, Inc., "**Generally Conforms**" to the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics for internal audit practitioners. **Generally Conforms** is the highest rating awarded in connection with an EQA and the internal audit team has been commended for this achievement.

The EQA, much like any global certification is not required. Acquiring it helps build the reputation not just of internal audit but of Aboitiz as a company that not only conforms, complies and follows but adopts and implements the *Standards* and best practices of the internal audit function. The EQA certification is valid for 5 years till 2022. Until then, internal audit will ensure that it continually works on its Quality Assurance Improvement Program and apply it across the group.

Review of the Audit Charters

There are no changes to the Charters for 2018. The review and updating of the charters are done at least once a year, endorsed by the Audit Committee and approved by the Board.

Self-Assessment

The Committee conducted its annual self-assessment in accordance with the guidelines of SEC Memo Cir. No. 4, series of 2012. The assessment result showed that it fully complied with the requirements set forth in the Audit Charter and met the necessary and most important requirements set by global standards and best practices.

Risk Management

The partnership between the functions of risk management and internal audit has remained solid. In order to continuously provide objective assurance to the board on the effectiveness of risk management, joint audit and risk committee meeting is held at least once a year.

Presented in the November 21, 2018 joint meeting are the top strategic risks, emerging risks and project risks that present a significant impact to the Company's ability to execute its plans, strategies and business objectives for the following year. These top risks serve as an input for the preparation of internal audit's master plan for the following year.

After considering, analyzing and reviewing all pertinent information on the integrity of financial reporting, effectiveness of internal controls, risk management, governance and compliance within the Aboitiz group of companies, the Committee is of the view that, in all material aspects, the duties and responsibilities as so outlined in its Charter have been satisfactorily performed.

On behalf of the Committee,

(SGD.) Jose C. Vitug

(Retired Justice, Supreme Court/Independent Director)

Chairman

Statement of Management's Responsibility for Financial Statements

Aboitiz Equity Ventures, Inc.

SECURITIES & EXCHANGE COMMISSION
SEC Building, EDSA Greenhills
Mandaluyong, Metro Manila

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Aboitiz Equity Ventures, Inc. is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2018 and 2017, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders or members.

Sycip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.



ENRIQUE M. ABOITIZ
Chairman of the Board



ERRAMON I. ABOITIZ
President & Chief Executive Officer



MANUEL R. LOZANO
Senior Vice President - Chief Financial Officer

Signed this 7th day of March, 2019.

Republic of the Philippines)
Taguig City) S.S.

Before me, a notary public in and for the city named above, personally appeared:

Name	Passport/CTC	Date/Place Issued
Enrique M. Aboitiz		February 28, 2018, Manila January 30, 2019, Cebu City
Erramon I. Aboitiz		March 11, 2017, Manila January 29, 2019, Cebu City
Manuel R. Lozano		May 6, 2018, Manila January 10, 2019, Taguig City

who are personally known to me and to me known to be the same persons who presented the foregoing instrument and signed the instrument in my presence, and who took an oath before me as to such instrument.

Witness my hand and seal this 07 day of March

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Book No. II
Series of 2019.



Atty. Adrienne Marie C. Alazas
Atty. Adrienne Marie C. Alazas
Notary Public of Taguig City
Notarial Commission No. 350
Until December 31, 2019
NAC Tower 32nd St. Bonifacio Global City Taguig City
PTR No. A-4208014 January 07, 2019 Taguig City
IBP O.R. No. 061325 Taguig City January 08, 2019
Roll No. 58444
MCLE No. VI-0015862, December 13, 2018

Independent Auditors' Report

Aboitiz Equity Ventures, Inc.

The Board of Directors and Stockholders
Aboitiz Equity Ventures, Inc.
32nd Street, Bonifacio Global City
Taguig City, Metro Manila
Philippines

Opinion

We have audited the consolidated financial statements of Aboitiz Equity Ventures, Inc. and its subsidiaries (the Group), which comprise the consolidated balance sheets as at December 31, 2018 and 2017, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2018 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Recoverability of Goodwill

As of December 31, 2018, the goodwill amounted to ₱56.26 billion, which is attributable to several cash-generating units, which is considered significant to the consolidated financial statements. We consider the recoverability of goodwill as a key audit matter due to the materiality of the amount involved and the significant management assumptions and judgment involved, which includes cash-generating unit identification, discount and growth rate, revenue assumptions and material price inflation.

The Group's disclosures about goodwill are included in Note 12 to the consolidated financial statements.

Audit Response

We involved our internal specialist in assessing the methodology and assumptions used by the Group in estimating value-in-use. We compared significant assumptions, such as growth rate, revenue assumptions and material price inflation, against historical data and industry outlook. Our internal specialist reviewed the discount rates by performing an independent testing on the derivation of the discount rates using market-based parameters. We performed sensitivity analyses to understand the impact of reasonable changes in the key assumptions. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment testing is most sensitive.

Accounting for Business Combinations: Acquisition of Gold Coin Management Holdings (GCMH)

As disclosed in Note 9 to the consolidated financial statements, on July 27, 2018, the Group, through Pilmico International Pte. Ltd., entered into a Sale and Purchase Agreement (SPA) to acquire 75% ownership interest in GCMH from Golden Springs Group Ltd. for US\$333.8 million or ₱18.1 billion. The goodwill recognized based on the provisional purchase price allocation performed was ₱15.5 billion. We consider the accounting for this acquisition to be a key audit matter due to the transaction's financial significance to the Group and significant management judgment and estimation involved in determining the acquisition date, existence of control, identifying the underlying acquired assets and liabilities, and determining their fair values, specifically the property, plant and equipment.

Audit Response

We reviewed the SPA and other agreements covering the acquisition, the consideration paid and the provisional purchase price allocation. We reviewed the identification of GCMH's underlying assets and liabilities, specifically the property, plant and equipment, based on our understanding of GCMH's business and management's explanations on the rationale for the acquisition. We assessed the competence, capabilities and objectivity of the external appraiser who prepared the appraisal report by considering their qualifications, experience and reporting responsibilities. We involved our internal specialist in evaluating the methodologies and assumptions used in arriving at the fair values of the property, plant and equipment. We compared the key assumptions used such as the list prices by reference to relevant market data, and obtained understanding of the sources and bases of adjustment and obsolescence factors through discussions with the external appraisers.

We also evaluated the presentation and the disclosure of the transaction in the consolidated financial statements.

Revenue Recognition of Distribution Utilities

The Group's revenue from the sale of electricity accounts for 24% of the Group's consolidated revenue and is material to the Group. This matter is significant to the audit because the revenue recognized depends on the electric consumption captured, the rates applied across different customers, and the systems involved in the billing process. Electric consumption captured is based on the meter readings taken on various dates for the different types of customers (i.e., industrial, commercial, and residential customers) within the franchise areas of operations of the distribution utilities. In addition, the Group adopted PFRS 15, *Revenue from Contracts with Customers*, effective January 1, 2018, which involves the accounting for the sale of electricity which qualifies as a series of distinct services which is accounted for as one performance obligation that will be satisfied over the period when the services are expected to be provided.

The Group's disclosures related to this matter are provided in Notes 2 and 25 to the consolidated financial statements.

Audit Response

We obtained an understanding and evaluated the design and tested the controls over the billing and revenue process which includes the capture and accumulation of meter data in the billing system and calculation of billed amounts, and uploading of billed amounts from the billing system to the financial reporting system. We performed a test calculation of the rates using the Energy Regulatory Commission-approved rates and formulae, then compared them with the rates used in billing statements.

On PFRS 15 adoption, we obtained understanding of the Group's implementation process and tested the relevant controls. We reviewed the PFRS 15 adoption documentation and the updated accounting policies as prepared by management, including revenue streams identification and scoping, and contract analysis. We obtained sample contracts and reviewed the performance obligation identified to be provided by the Group, the determination of transaction price, and the timing of the revenue recognition based on the period when services are to be rendered. We also reviewed the notes disclosure on the adoption of PFRS 15.

Recoverability of Certain Segments of Property, Plant and Equipment

Based on the assessment of the Group as of December 31, 2018, certain segments of its property, plant and equipment totaling ₱5.44 billion, may be impaired. We considered the recoverability of certain segments of property, plant and equipment as a key audit matter because of the amount involved and significant management assumptions and judgment involved which include future electricity generation levels and costs as well as external inputs such as fuel prices, electricity prices and discount rates.

The disclosure about the recoverability of certain segments of property, plant and equipment are included in Note 13 to the consolidated financial statements.

Audit Response

We involved our internal specialist in assessing the methodology and the assumptions used by the Group in estimating value-in-use. We compared the significant assumptions, such as future electricity generation levels and costs, fuel prices and electricity prices against historical data and industry outlook. Our internal specialist reviewed the discount rates by performing an independent testing on the derivation of the discount rates using market-based parameters. We performed sensitivity analyses to understand the impact of reasonable changes in the key assumptions. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment testing is most sensitive.

Accounting for Investment in an Associated Company

Aboitiz Equity Ventures, Inc. (AEV) exercises significant influence over Union Bank of the Philippines (UBP), a universal bank publicly listed in the Philippine Stock Exchange. The Group's investment in UBP is accounted for under the equity method. UBP's income is significantly affected by the level of provisioning of its loans and other receivables, which requires significant management judgment. In addition, the Group adopted PFRS 9, *Financial Instruments*, effective January 1, 2018, which introduces a forward-looking expected credit loss (ECL) model to assess impairment on debt financial assets not measured at fair value through profit or loss.

The Group's disclosure on investments in associates is in Notes 2 and 10 to the consolidated financial statements.

Audit Response

We obtained the financial information of UBP for the year ended December 31, 2018 and recomputed the Group's share in net income of UBP and assessed the disclosures on the investment in associate in the consolidated financial statements.

We obtained an understanding of the methodologies and models used for UBP's different credit exposures of its loans and other receivables and assessed whether these considered the requirements of PFRS 9 to reflect an unbiased and probability-weighted outcome, and to consider time value of money and the best available forward-looking information.

We (a) assessed UBP's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics; (b) tested the definition of default and significant increase in credit risk criteria against historical analysis of accounts and credit risk management policies and practices in place; (c) tested UBP's application of internal credit risk rating system by reviewing the ratings of sample credit exposures; (d) tested loss given default by inspecting historical recoveries and related costs, write-offs and collateral valuations; (e) tested exposure at default considering outstanding commitments and repayment scheme; (f) checked the reasonableness of forward-looking information used for overlay through statistical test and corroboration using publicly available information and our understanding of UBP's lending portfolios and broader industry knowledge; and, (g) tested the effective interest rate used in discounting the expected loss.

Further, we checked the data used in the ECL models by reconciling data from source system reports to the data warehouse and from the data warehouse to the loss allowance models and financial reporting systems. To the extent that the loss allowance analysis is based on credit exposures that have been disaggregated into subsets of debt financial assets with similar risk characteristics, we traced or re-performed the disaggregation from source systems to the loss allowance analysis. We also assessed the assumptions used where there are missing or insufficient data.

We recalculated impairment provisions on a sample basis. We checked the appropriateness of the transition adjustments as at January 1, 2018.

We involved our internal specialists in the performance of the above procedures.

Consolidation Process

AEV owns a significant number of domestic and foreign entities at varying equity interests. We considered the consolidation process as a key audit matter because it required significant auditor attention, particularly on the following areas: (a) fair value adjustments arising from business combinations, (b) numerous intercompany transactions, (c) alignment of accounting policies of the investees with the Group's policy on property, plant and equipment and investment properties, (d) translation of investees' foreign-currency-denominated financial information to the Group's functional currency and (e) other equity adjustments.

The Group's disclosure on the basis of consolidation is in Note 2 to the consolidated financial statements.

Audit Response

We obtained an understanding of the consolidation process and the related controls, the Group's process for identifying related parties and related party transactions, as well as the reconciliation of intercompany balances. We also checked the entities included in the consolidation. We reviewed the eliminating entries recorded, including fair value adjustments. In addition, we reviewed the currency translation adjustments, as well as the alignment of accounting policies on property, plant and equipment and investment properties.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Maria Veronica Andresa R. Pore.

SYCIP GORRES VELAYO & CO.

Maria Veronica Andresa R. Pore

Maria Veronica Andresa R. Pore

Partner

CPA Certificate No. 90349

SEC Accreditation No. 0662-AR-3 (Group A),
March 2, 2017, valid until March 1, 2020

Tax Identification No. 164-533-282

BIR Accreditation No. 08-001998-71-2018,
February 26, 2018, valid until February 25, 2021

PTR No. 7332597, January 3, 2019, Makati City

March 7, 2019

Independent Auditors' Report on Supplementary Schedules

Aboitiz Equity Ventures, Inc.

The Board of Directors and Stockholders
Aboitiz Equity Ventures, Inc.
32nd Street, Bonifacio Global City
Taguig City, Metro Manila
Philippines

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Aboitiz Equity Ventures, Inc. and Subsidiaries included in this Form 17-A and have issued our report thereon dated March 7, 2019. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Securities Regulation Code Rule 68, as amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Maria Veronica Andresa R. Pore

Maria Veronica Andresa R. Pore
Partner
CPA Certificate No. 90349
SEC Accreditation No. 0662-AR-3 (Group A),
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Tax Identification No. 164-533-282
BIR Accreditation No. 08-001998-71-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 7332597, January 3, 2019, Makati City

March 7, 2019

Consolidated Balance Sheets

Aboitiz Equity Ventures, Inc. and Subsidiaries

(Amounts in Thousands)

	December 31, 2018	December 31, 2017 (As restated; Note 10)	January 1, 2017 (As restated; Note 10)
ASSETS			
Current Assets			
Cash and cash equivalents (Note 4)	₱59,033,029	₱64,870,214	₱63,857,528
Trade and other receivables (Note 5)	33,795,312	24,192,785	21,732,203
Inventories (Note 6)	22,103,434	12,453,335	10,221,448
Land and improvements (Note 6)	2,340,113	3,689,677	3,525,381
Property held for sale (Note 13)	675,819	–	–
Derivative asset (Note 36)	71,583	228,644	188,417
Other current assets (Notes 7 and 8)	17,989,065	12,442,516	9,579,230
Total Current Assets	136,008,355	117,877,171	109,104,207
Noncurrent Assets			
Property, plant and equipment (Notes 13 and 19)	221,430,841	213,232,540	202,237,611
Investments and advances (Note 10)	106,959,557	91,609,592	86,637,677
Goodwill (Notes 9 and 12)	56,261,911	41,308,689	41,249,629
Investment properties (Notes 14 and 29)	8,224,667	6,844,633	5,372,390
Intangible asset - service concession rights (Note 15)	3,791,377	3,062,307	3,222,123
Deferred income tax assets (Note 31)	2,324,773	1,525,630	1,893,878
Trade receivables - net of current portion (Note 5)	258,809	580,925	277,771
Derivative asset - net of current portion (Note 36)	221,245	113,297	103,443
Financial assets at fair value through profit or loss (FVTPL) (Notes 2 and 3)	353,734	–	–
Financial assets at fair value through other comprehensive income (FVOCI) (Notes 2 and 3)	225,552	–	–
Available-for-sale (AFS) investments (Notes 2 and 3)	–	772,794	563,748
Debt investments at amortized cost (Notes 2 and 3)	453,871	–	–
Held-to-maturity (HTM) investments (Notes 2 and 3)	–	189,216	–
Net pension assets (Note 30)	158,575	176,952	115,264
Other noncurrent assets (Notes 8 and 16)	17,914,967	14,637,951	15,217,184
Total Noncurrent Assets	418,579,879	374,054,526	356,890,718
TOTAL ASSETS	₱554,588,234	₱491,931,697	₱465,994,925
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables (Notes 18, 34 and 39)	₱34,725,810	₱24,536,584	₱22,210,909
Bank loans (Note 17)	26,978,586	23,701,140	8,259,028
Current portions of:			
Long-term debts (Note 19)	10,702,974	20,722,330	7,698,261
Long-term obligation on Power Distribution System (PDS) (Note 15)	40,000	40,000	40,000
Finance lease obligations (Notes 13 and 22)	4,131,059	3,316,165	2,968,491
Derivative liability (Note 36)	161,565	47,577	127,442
Income tax payable	535,233	703,489	685,215

(Forward)

	December 31, 2018	December 31, 2017 (As restated; Note 10)	January 1, 2017 (As restated; Note 10)
Total Current Liabilities	77,275,227	73,067,285	41,989,346
Noncurrent Liabilities			
Noncurrent portions of:			
Long-term debts (Note 19)	₱200,729,393	₱168,364,717	₱189,184,633
Finance lease obligations (Notes 13 and 22)	42,763,296	45,909,089	49,371,713
Trade payables (Notes 18 and 34)	3,695,261	880,943	578,892
Long-term obligation on PDS (Note 15)	173,496	186,071	197,248
Customers' deposits (Note 20)	6,127,788	6,269,383	7,040,347
Asset retirement obligation (Note 21)	3,678,810	2,959,060	1,821,577
Deferred income tax liabilities (Note 31)	2,395,200	1,623,915	1,567,411
Net pension liability (Note 30)	486,232	400,306	347,699
Derivative liability - net of current portion (Note 36)	-	-	233,435
Total Noncurrent Liabilities	260,049,476	226,593,484	250,342,955
Total Liabilities	337,324,703	299,660,769	292,332,301
Equity Attributable to Equity Holders of the Parent			
Capital stock (Note 23)	5,694,600	5,694,600	5,694,600
Additional paid-in capital (Note 23)	13,013,197	13,013,197	13,013,197
<i>Other equity reserves:</i>			
Gain on dilution (Note 2)	5,043,152	5,043,152	5,376,176
Excess of book value over acquisition cost of an acquired subsidiary (Note 9)	469,540	469,540	469,540
Acquisition of non-controlling interests (Note 2)	(1,679,549)	(1,577,075)	(1,577,075)
<i>Accumulated other comprehensive income (loss):</i>			
Net unrealized mark-to-market gains on FVOCI investments	143	-	-
Net unrealized mark-to-market gains on AFS investments	-	17,280	9,106
Cumulative translation adjustments (Note 36)	734,404	189,465	34,262
Actuarial losses on defined benefit plans (Note 30)	(676,765)	(666,132)	(783,891)
Share in actuarial losses on defined benefit plans of associates and joint ventures (Note 10)	(435,068)	(537,099)	(513,132)
Share in cumulative translation adjustments of associates and joint ventures (Note 10)	250,295	(107,913)	(95,378)
Share in net unrealized mark-to-market gains on FVOCI investments of associates (Note 10)	114,527	-	-
Share in net unrealized mark-to-market losses on AFS investments of associates (Note 10)	-	(3,229,609)	(3,938,424)
Retained earnings (Notes 10 and 24)			
Appropriated	4,200,000	1,622,000	2,717,000
Unappropriated	148,541,910	135,288,145	120,077,394
Treasury stock at cost (Note 23)	(565,246)	(521,132)	(521,132)
	174,705,140	154,698,419	139,962,243
Non-controlling Interests	42,558,391	37,572,509	33,700,381
Total Equity	217,263,531	192,270,928	173,662,624
TOTAL LIABILITIES AND EQUITY	₱554,588,234	₱491,931,697	₱465,994,925

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Income

Aboitiz Equity Ventures, Inc. and Subsidiaries

(Amounts in Thousands, Except Earnings Per Share Amounts)

	Years Ended December 31		
	2018	2017	2016
REVENUES			
Sale of:			
Power (Note 25)	₱130,734,557	₱118,759,149	₱88,585,890
Goods	47,751,035	23,819,250	21,848,393
Real estate (Notes 14 and 25)	3,925,308	3,613,388	2,440,854
Fair value of swine (Note 8)	2,501,841	2,410,542	1,854,053
Service fees (Note 39)	1,883,506	1,620,401	1,453,336
Others (Note 34)	146,573	198,875	232,554
	186,942,820	150,421,605	116,415,080
COSTS AND EXPENSES			
Cost of generated and purchased power (Notes 26, 27, 34 and 39)	71,680,298	63,949,850	46,226,259
Cost of goods sold (Notes 6 and 27)	43,693,907	21,700,262	18,886,189
Operating expenses (Notes 27, 34, 38 and 39)	30,398,694	26,255,915	21,187,182
Cost of real estate sales (Note 6)	1,871,385	1,825,570	1,084,740
Overhead expenses (Note 27)	136,593	113,864	109,671
	147,780,877	113,845,461	87,494,041
OPERATING PROFIT	39,161,943	36,576,144	28,921,039
Share in net earnings of associates and joint ventures (Note 10)	7,727,663	9,053,733	9,651,787
Interest income (Notes 4, 34 and 35)	1,476,151	1,375,695	1,436,933
Interest expense (Notes 22 and 35)	(14,638,588)	(13,117,362)	(9,567,997)
Other income (expense) - net (Notes 5, 29 and 34)	1,410,826	(26,134)	2,501,026
INCOME BEFORE INCOME TAX	35,137,995	33,862,076	32,942,788
PROVISION FOR INCOME TAX (Note 31)	3,899,198	4,583,055	4,289,663
NET INCOME	₱31,238,797	₱29,279,021	₱28,653,125
ATTRIBUTABLE TO:			
Equity holders of the parent	₱22,232,977	₱21,608,695	₱22,473,458
Non-controlling interests	9,005,820	7,670,326	6,179,667
	₱31,238,797	₱29,279,021	₱28,653,125
EARNINGS PER SHARE (Note 32)			
Basic and diluted, for net income for the year attributable to ordinary equity holders of the parent	₱3.947	₱3.836	₱4.017

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

Aboitiz Equity Ventures, Inc. and Subsidiaries

(Amounts in Thousands)

	Years Ended December 31		
	2018	2017	2016
NET INCOME ATTRIBUTABLE TO:			
Equity holders of the parent	₱22,232,977	₱21,608,695	₱22,473,458
Non-controlling interests	9,005,820	7,670,326	6,179,667
	31,238,797	29,279,021	28,653,125
OTHER COMPREHENSIVE INCOME			
<i>Items that may be reclassified to consolidated statements of income:</i>			
Movement in cumulative translation adjustments, net of tax	639,746	199,556	(203,067)
Share in movement in cumulative translation adjustments of associates and joint ventures (Note 10)	464,139	(16,305)	128,173
Share in movement in net unrealized mark-to-market gains (losses) on FVOCI investments of associates (Note 10)	14,295	–	–
Movement in net unrealized mark-to-market losses on FVOCI investments	(17,136)	–	–
Movement in net unrealized mark-to-market losses on AFS investments	–	(2,413)	(5,848)
Share in movement in net unrealized mark-to-market gains (losses) on AFS investments of associates (Note 10)	–	702,564	(189,693)
	1,101,044	883,402	(270,435)
<i>Items that will not be reclassified to consolidated statements of income:</i>			
Share in movement in actuarial losses on defined benefit plans of associates and joint ventures, net of tax	112,229	(22,788)	(178,244)
Movement in actuarial gains (losses) on defined benefit plans, net of tax	(10,633)	126,137	12,076
	101,596	103,349	(166,168)
TOTAL COMPREHENSIVE INCOME	₱32,441,437	₱30,265,772	₱28,216,522
ATTRIBUTABLE TO:			
Equity holders of the parent	₱23,247,913	₱22,562,144	₱22,068,509
Non-controlling interests	9,193,524	7,703,628	6,148,013
	₱32,441,437	₱30,265,772	₱28,216,522

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Equity

Aboitiz Equity Ventures, Inc. and Subsidiaries

FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016 (Amounts in Thousands, Except Dividends Per Share Amounts)

	Attributable to equity holders of the parent													Treasury Stock (Note 23)	Non-controlling Interest	Total	
	Capital Stock: Common (Note 23)	Additional Paid-in Capital (Note 23)	Gain on Dilution (Note 2)	Excess of Book Value Over Acquired Subsidiary (Note 9)	Acquisition of non- controlling interest (Note 9)	Net Unrealized Mark-to- Market Gains on AFS Investments (Note 5)	Cumulative Translation Adjustment (Note 3)	Actuarial Losses on Defined Benefit Plans, and Joint Ventures (Note 3)	Sharein Actuarial Losses on Defined Benefit Plans and Joint Ventures (Note 10)	Cumulative Translation Adjustments of Associates and Joint Ventures (Note 10)	Sharein Net Unrealized Market Losses on Investments of Associates (Note 10)	Sharein Net Unrealized Market- to- Market Gains (Losses) on Investments in Financial Assets at FVOCI (Note 10)	Sharein Net Unrealized Market- to- Market Gains (Losses) on Investments in Financial Assets at FVOCI (Note 10)				
Balances at January 1, 2018, as previously reported	P\$5,694,600	P\$1,303,197	P\$5,043,152	P\$469,540	P\$1,577,075	P\$17,280	P\$189,465	P\$66,132	P\$57,099	P\$107,913	P\$3,229,609	P-	P-	P\$156,011,203	P\$37,572,509	P\$192,583,712	
Effects of adoption of new accounting standards (Notes 2 and 3)	-	-	-	-	(17,280)	-	-	-	-	-	3,229,609	(798)	95,077	4,116,651	-	4,116,651	
Share in restatement of an associate (Note 10)	-	-	-	-	-	-	-	-	-	(107,913)	-	-	-	(312,784)	-	(312,784)	
Balances at January 1, 2018, as restated	5,694,600	1,303,197	5,043,152	469,540	(17,280)	-	189,465	66,132	57,099	(107,913)	3,229,609	(798)	95,077	155,815,020	37,572,509	196,387,579	
Net income for the year	-	-	-	-	-	-	-	-	-	-	-	-	-	22,232,977	9,065,800	31,298,777	
Movement in net unrealized mark-to-market losses on investments in Financial Assets at FVOCI	-	-	-	-	-	-	-	-	-	-	-	941	-	94	(8,007)	(7,136)	
Movement in cumulative translation adjustments	-	-	-	-	-	-	544,939	-	-	-	-	-	-	544,939	94,807	639,746	
Actuarial gains on defined benefit plans, net of tax	-	-	-	-	-	-	(10,033)	-	-	-	-	-	-	(10,033)	-	(10,033)	
Share in movement in actuarial losses on defined benefit plan of associates and joint ventures	-	-	-	-	-	-	-	-	102,031	-	-	-	-	-	102,031	112,229	
Share in cumulative translation adjustment of associates and joint ventures	-	-	-	-	-	-	-	-	-	358,208	-	-	-	358,208	105,931	464,139	
Share in movement in net unrealized mark-to-market losses on investments in Financial Assets at FVOCI of associates	-	-	-	-	-	-	-	-	-	-	-	-	19,450	(9,450)	14,295		
Total comprehensive income (loss) for the year	-	-	-	-	-	-	544,939	(10,033)	102,031	358,208	-	941	19,450	22,232,977	9,199,524	32,441,437	
Cash dividends - P\$1.28 per share (Note 24)	-	-	-	-	-	-	-	-	-	-	-	-	-	(7,211,255)	-	(7,211,255)	
Acquisition of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	(44,114)	-	(44,114)	
Reversal of appropriation	-	-	-	-	-	-	-	-	-	-	-	-	-	1,622,000	-	1,622,000	
Appropriation during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,200,000)	-	(4,200,000)	
Cash dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(5,831,777)	-	(5,831,777)	
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(102,494)	26	(102,228)	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	1,622,889	1,622,889		
Balances at December 31, 2018, as restated	P\$5,694,600	P\$1,303,197	P\$5,043,152	P\$469,540	P\$1,679,549	P-	P\$734,404	P\$676,865	P\$435,068	P\$250,295	P-	P\$143	P\$114,527	P\$42,000,000	P\$174,705,140	P\$42,588,391	P\$217,263,531

Attributable to equity holders of the parent

	Capital Stock: Common (Note 23)	Additional Paid-in Capital (Note 23)	Gain on Dilution (Note 2)	Acquisition Cost of an Acquired Subsidiary (Note 9)	Acquisition of Non-controlling Interest (Note 9)	Share in Acquisition of Non-controlling Interest (Note 2)	Share in Net Unrealized Mark-to-Market Gains on AFS Investments (Note 2)	Share in Net Unrealized Mark-to-Market Losses on AFS Investments (Note 10)	Share in Actuarial Losses on Defined Benefit Plans, and Joint Ventures of Associates (Note 10)	Share in Cumulative Translation Adjustments and Joint Ventures of Associates (Note 10)	Share in Unrealized Mark-to-Market Losses on Retained Earnings (Note 10)	Treasury Stock (Note 23)	Total	Non-controlling Interest (As Restated; Note 9)	Total
Balances at January 1, 2017, as previously reported	₱5,694,600	₱13,013,197	₱5,376,176	₱469,540	₱1,577,075	₱9106	₱24,262	₱789,891	₱513,132	₱95,378	₱3,938,424	₱521,132	₱140,275,027	₱33,700,381	₱173,975,408
Share in restatement of an associate (Note 10)	-	-	-	-	-	-	-	-	-	-	-	-	(312,784)	-	(312,784)
Balances at January 1, 2017, as restated	5,694,600	13,013,197	5,376,176	469,540	(1,577,075)	9,106	34,262	(789,891)	(513,132)	(95,378)	(3,938,424)	(521,132)	139,962,243	33,700,381	173,662,624
Net income for the year	-	-	-	-	-	-	-	-	-	-	-	-	21,608,695	7,670,326	29,279,021
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Movement in net unrealized mark-to-market losses on AFS investments	-	-	-	-	-	8,174	-	-	-	-	-	-	-	8,174	(2,413)
Movement in cumulative translation adjustments	-	-	-	-	-	-	155,203	-	-	-	-	-	-	155,203	199,556
Actuarial gains on defined benefit plans, net of tax	-	-	-	-	-	-	-	117,759	-	-	-	-	-	117,759	117,759
Share in movement in actuarial losses on defined benefit plan of associates and joint ventures	-	-	-	-	-	-	-	(23,967)	-	-	-	-	-	(23,967)	1,179
Share in cumulative translation adjustment of associates and joint ventures	-	-	-	-	-	-	-	-	-	(12,535)	-	-	-	(12,535)	(3,770)
Share in movement in unrealized mark-to-market losses on AFS investments of associates	-	-	-	-	-	-	-	-	-	-	708,815	-	708,815	2,127	710,942
Total comprehensive income (loss) for the year	-	-	-	-	-	8,174	155,203	117,759	(23,967)	(12,535)	708,815	-	22,562,144	7,703,628	30,265,772
Gain on dilution	-	-	(333,024)	-	-	-	-	-	-	-	-	-	-	-	(333,024)
Cash dividends - ₱1.33 per share (Note 24)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reversal of appropriation during the year	-	-	-	-	-	-	-	-	-	(7,492,944)	-	-	-	(7,492,944)	(7,492,944)
Cash dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(1,095,000)	-	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,077,223)	(3,077,223)
Balances at December 31, 2017, as restated	₱5,694,600	₱13,013,197	₱5,043,152	₱469,540	₱1,577,075	₱17,280	₱189,465	₱666,132	₱537,899	₱107,913	₱3,229,609	₱521,132	₱154,698,419	₱37,572,509	₱192,270,928

Attributable to equity holders of the parent

	Sharein											Total		
	Capital Stock: Common (Note 23)	Additional Paid-in Capital (Note 23)	Excess of Book Value Over Acquisition Cost of an Acquired Subsidiary (Note 9)	Acquisition of Non-controlling Interest (Note 2)	Unrealized Mark-to-Market Gains on AFS Investments (Note 3)	Net Unrealized Mark-to-Market Gains on AFS Investments (Note 3)	Cumulative Translation Adjustment (Note 3)	Actuarial Losses on Defined Benefit Plans, net of tax (Note 3)	Sharein Cumulative Translation Adjustments of Associates and Joint Ventures (Note 10)	Share in Net Unrealized Mark-to-Market Losses on AFS Investments and Joint Ventures (Note 10)	Retained Earnings		Treasury Stock (Note 23)	Non-controlling Interest (As Restated; Note 9)
Balances at January 1, 2016, as previously reported	P5,694,600	P7,683,568	P469,540	(P1,577,075)	P14,188	P176,379	(P795,967)	(P334,656)	(P69,921)	(P3,748,731)	P-	(P1,065,585)	P28,764,484	P146,984,442
Share in restatement of an associate (Note 10)	-	-	-	(1,577,075)	-	176,379	795,967	334,656	69,921	3,748,731	-	1,065,585	28,764,484	146,984,442
Balances at January 1, 2016, as restated	5,694,600	7,683,568	469,540	(1,577,075)	14,188	176,379	795,967	334,656	69,921	3,748,731	-	1,065,585	28,764,484	146,984,442
Net income for the year	-	-	-	-	-	-	-	-	-	-	-	-	6,179,667	28,653,125
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Movement in net unrealized mark-to-market losses on AFS investments	-	-	-	-	(5,820)	-	-	-	-	-	-	-	(766)	(5,848)
Movement in cumulative translation adjustments	-	-	-	-	-	(40,117)	-	-	-	-	-	-	(60,950)	(203,067)
Actuarial gains on defined benefit plans, net of tax	-	-	-	-	-	-	12,076	-	-	-	-	-	-	12,076
Share in movement in actuarial losses on defined benefit plan of associates and joint ventures	-	-	-	-	-	-	-	(178,676)	-	-	-	-	432	(178,244)
Share in cumulative translation adjustment of associates and joint ventures	-	-	-	-	-	-	-	-	98,543	-	-	-	29,630	128,173
Share in movement in unrealized mark-to-market losses on AFS investments of associates	-	-	-	-	-	-	-	-	-	(189,693)	-	-	-	(189,693)
Total comprehensive income (loss) for the year	-	-	-	-	(5,820)	(40,117)	12,076	(178,676)	98,543	(189,693)	-	-	6,148,013	28,216,522
Cash dividends - P1.06 per share (Note 24)	-	-	-	-	-	-	-	-	-	-	-	-	(5,887,522)	(5,887,522)
Appropriation during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	(4,456,950)	(4,456,950)
Acquisition of a subsidiary (Note 9)	-	5,329,629	-	-	-	-	-	-	-	-	544,453	-	-	5,874,082
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	3,164,230	3,164,230
Balances at December 31, 2016, as restated	P5,694,600	P13,013,197	P469,540	(P1,577,075)	P9,106	P42,262	(P783,891)	(P513,132)	(P95,378)	(P3,938,424)	P2,717,000	(P521,132)	P33,700,381	P173,662,624

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

Aboitiz Equity Ventures, Inc. and Subsidiaries

(Amounts in Thousands)

	Years Ended December 31		
	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱35,137,995	₱33,862,076	₱32,942,788
Adjustments for:			
Interest expense (Note 35)	14,638,588	13,117,362	9,567,997
Depreciation and amortization (Note 27)	9,818,432	8,455,978	6,829,395
Net unrealized foreign exchange losses	1,319,008	746,648	1,532,081
Impairment loss on property, plant and equipment, goodwill and other assets (Notes 2, 12 and 13)	847,620	3,191,786	320,328
Write-off / provision for decline in value of project costs	179,225	143,613	221,969
Loss (gain) on sale of:			
Property, plant and equipment (Note 13)	292,194	52,164	(50,125)
FVTPL, FVOCI and Held-to-collect (HTC) investments (Note 3)	8,830	-	-
Investment in a subsidiary (Note 9)	(165,876)	-	-
AFS investments (Note 3)	-	(1,549)	(25,105)
Unrealized mark-to-market losses (gains) on derivatives	196,096	(367,868)	3,316
Unrealized mark-to-market losses on FVTPL investments	13,518	-	-
Dividend income (Note 29)	(19,060)	(5,946)	(250)
Net unrealized valuation gains on investment property (Notes 14 and 29)	(511,820)	(862,219)	(166,476)
Interest income (Note 35)	(1,476,151)	(1,375,695)	(1,436,933)
Share in net earnings of associates and joint ventures (Note 10)	(7,727,663)	(9,053,733)	(9,651,787)
Gain on redemption of shares	-	-	(16,051)
Unrealized excess of fair value over historical acquisition cost (Notes 9 and 29)	-	(392,340)	(350,939)
Operating income before working capital changes	52,550,936	47,510,277	39,720,208
Decrease (increase) in:			
Trade and other receivables	(5,046,239)	(4,444,457)	(894,679)
Inventories	(2,404,398)	(1,565,400)	(810,917)
Land and improvements	(387,780)	(444,907)	(438,962)
Pension asset	-	(82,030)	-
Other current assets	(3,764,697)	(2,426,441)	(1,559,481)
Increase (decrease) in:			
Trade and other payables (Note 9)	1,840,197	(1,235,398)	(24,234)
Pension liability	(12,940)	(98,406)	(59,559)
Customers' deposits	(86,326)	(708,720)	510,517
Net cash generated from operations	42,688,753	36,504,518	36,442,893
Income and final taxes paid	(4,271,404)	(4,267,206)	(4,868,433)
Net cash flows from operating activities	38,417,349	32,237,312	31,574,460
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash dividends received (Note 10)	5,355,297	6,060,299	8,608,988
Interest received	1,618,973	1,480,887	1,472,936
Proceeds from sale of:			
FVTPL, FVOCI and HTC investments (Note 3)	156,062	-	-
Property, plant and equipment	35,694	414,606	168,381
AFS investments	-	26,731	37,155

(Forward)

	Years Ended December 31		
	2018	2017	2016
Acquisition through business combination, net of cash acquired (Note 9)	(P16,211,727)	P747,150	(P44,572,591)
Disposal of a subsidiary, net of cash disposed (Note 9)	296,441	-	-
Additions to:			
FVTPL, FVOCI and HTC investments (Note 3)	(276,062)	-	-
Property, plant and equipment and investment properties (Notes 13 and 14)	(10,687,679)	(18,317,445)	(31,024,798)
Investments in and advances to associates (Note 10)	(7,873,129)	(1,766,819)	(12,408,168)
AFS investments	-	(417,987)	(213,931)
Increase in intangible asset - service concession rights (Note 15)	(774,441)	(131,502)	(45,875)
Decrease (increase) in other noncurrent assets	(2,401,684)	599,306	(6,303,485)
Proceeds from sale of common shares and redemption of preferred shares of associates and joint ventures (Note 10)	-	-	51,976
Net cash flows used in investing activities	(30,762,255)	(11,304,774)	(84,229,412)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from avilment of long-term debts - net of transaction costs (Note 19)	39,157,476	43,968,605	74,674,514
Net proceeds from (settlements of) bank loans	1,054,387	15,424,292	(625,532)
Proceeds from issuance (acquisition) of treasury shares (Note 23)	(44,114)	-	5,874,083
Acquisition of non-controlling interests (Note 2)	(220,200)	-	-
Cash dividends paid and other changes to non-controlling interest	(5,831,777)	(3,077,223)	(4,434,075)
Cash dividends paid to equity holders of the parent (Note 24)	(7,211,254)	(7,492,944)	(5,887,523)
Interest paid	(10,935,378)	(8,858,875)	(5,002,512)
Payments of:			
Long-term debts (Note 19)	(21,388,035)	(51,545,504)	(4,232,593)
Finance lease obligations (Note 21)	(7,804,460)	(7,877,292)	(7,517,917)
Net cash flows from (used in) financing activities	(13,223,355)	(19,458,941)	52,848,445
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(5,568,261)	1,473,597	193,493
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(268,924)	(460,911)	82,151
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	64,870,214	63,857,528	63,581,884
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	P59,033,029	P64,870,214	P63,857,528

See accompanying Notes to Consolidated Financial Statements.



Investor Information

Aboitiz Equity Ventures, Inc.

102-3, 102-53

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Tel (632) 886-2800 | Fax (632) 886-2407

Cebu Office:

Aboitiz Corporate Center,
Gov. Manuel A. Cuenco Avenue,
Kasambagan, Cebu City 6000 Philippines
Tel (6332) 411-1800 | Fax (6332) 231-4037

Common Stock

The Company's common stock is listed and traded in the Philippine Stock Exchange.

Stockholders' Meeting

The Company's regular stockholders' meeting is held on the fourth Monday of April of every year.

Stockholder Services and Assistance

Stock Transfer Service, Inc. (STSI) serves as the Company's stock transfer agent.

For matters concerning dividend payments, account status, lost or damaged stock certificates, change of address, please write or call:

STOCK TRANSFER SERVICE, INC.

Unit 34-D Rufino Pacific Tower,
6784 Ayala Avenue, Makati City 1226, Philippines
Telephone No.: (632) 403-3798 | (632) 403-2410 | (632) 403-2412
Contact Person:
Mr. Michael C. Capoy - mccapoy@stocktransfer.com.ph

AEV welcomes inquiries from institutional investors, analysts, and the financial community.

Please write or call:

Investor Relations

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The Board Audit Committee Report to the Board of Directors

Aboitiz Power Corporation

The Board Audit Committee is pleased to present its report for the financial year ended December 31, 2018.

Audit Committee Responsibility

In giving effect to its duly approved charter, the Board Audit Committee assisted the Board of Directors in fulfilling its oversight responsibility to the Company and its stakeholders by providing guidance relating to: (a) the adequacy (effectiveness and efficiency) of the company's system of internal controls, governance and risk management processes; (b) the quality and integrity of the company's accounting, auditing, legal, ethical and regulatory compliances; (c) the annual independent audit of the Company's financial statements and the external auditors' qualification and independence; (d) due observance of applicable laws and regulations that may have financial and other material exposure to the Company; and (e) providing an avenue of communication among the independent auditors, the management, the internal audit and the Company.

It has established a constructive and collaborative relationship with the Company's senior leadership to assist not to preempt any responsibility in making final audit-related decisions.

Committee Membership

The Board Audit Committee is composed of five (5) members, three (3) of whom are independent directors including the Chairman.

Carlos C. Ejercito (Independent Director) is the Chairman of the Committee. Other members of the committee are Romeo L. Bernardo (Independent Director), Eric O. Recto (Independent Director), Mikel A. Aboitiz (Non-Executive Director), and Enrique M. Aboitiz, Jr. (Non-Executive Director).

Informatively, there were interim changes in the Committee composition. Eric O. Recto (Independent Director) replaced Alfonso A. Uy (retired Independent Director). Erramon I. Aboitiz (Executive Director) replaced Antonio R. Moraza (retired Executive Director) and was eventually replaced by Enrique M. Aboitiz, Jr. (Non-Executive Director).

Meetings and Attendance

The Board Audit Committee carried out its function through its meetings with management, internal auditors, independent external auditors and advisers, where appropriate.

The Audit Committee Charter provided for the committee to hold at least four (4) regular meetings a year, with the authority to convene special meetings, when deemed required. It also holds an annual joint meeting with the Board Risk and Reputation Committee.

In 2018, five (5) meetings were held. The attendance by each member of the committee is indicated below:*

Member	Mar 6, 2018 Regular Meeting	April 30, 2018 Regular Meeting	July 23, 2018 Regular Meeting	October 22, 2018 Regular Meeting	Nov 21, 2018 Joint with Risk and Reputation
CARLOS C. EJERCITO Chairman, Independent Director	✓	✓	✓	✓	✓
ROMEO L. BERNARDO Independent Director	X	✓	✓	✓	✓
ALFONSO A. UY Independent Director	✓	✓	N/A	N/A	N/A
ANTONIO R. MORAZA Executive Director	✓	X	N/A	N/A	N/A
MIKEL A. ABOITIZ Non-Executive Director	✓*	✓	✓	✓	✓
ERIC O. RECTO Independent Director	N/A	N/A	✓	✓	✓
ERRAMON I. ABOITIZ Executive Director	N/A	N/A	✓	N/A	N/A
ENRIQUE M. ABOITIZ, JR. Non-Executive Director	N/A	N/A	N/A	✓*	✓

*Attended via Videocon

Attendees to these meetings also include the Group Internal Audit Head, and, by invitation, the Chief Risk Officer, Chief Financial Officer, Controller and other key leaders when deemed appropriate.

Financial Reports

The Board Audit Committee reviewed, discussed, and endorsed for the approval of the Board the 2018 quarterly unaudited consolidated financial statements and the 2018 annual audited financial statements of Aboitiz Power Corp., its subsidiaries and alliances. Included in the review were the Management Discussion and Analysis of Financial Condition and Results of Operations following prior review and discussion with management, accounting, and the company's independent external auditor, SyCip Gorres Velayo & Co. (SGV) – a member practice of Ernst & Young (EY) in the Philippines.

The activities of the Audit Committee are performed in the context—

- That management has the primary responsibility for the financial statements and the financial reporting process; and
- That the company's independent external auditor is responsible for expressing an unqualified opinion on the conformity and consistency of application of the Company's audited financial statements with Philippine Financial Reporting Standards.

External Auditors

Upon endorsement of the Board Audit Committee to the Board which, in turn, sought the approval of the shareholders of Aboitiz Power Corp., during its Annual General Stockholders Meeting held last May 21, 2018, SyCip Gorres Velayo & Co. (SGV) was re-appointed as the independent external auditor for 2018.

The overall scope and audit plan of SGV were reviewed and approved during the October 22, 2018 regular Board Audit Committee meeting. The audit plan, fees and terms of engagement which covers audit-related services provided by SGV were also reviewed and found to be reasonable.

The results of the SGV audits and its assessment of the overall quality of the financial reporting process were presented and discussed during the first Audit Committee meeting the following year, February 26, 2019. SGV presented the effects of changes in relevant accounting standards and presentation of financial statements that impact on the reported results.

In 2018, the Company also engaged SGV to conduct post reviews and other procedures for the purpose of issuing a comfort letter in connection with the issuance of the P10.2 Billion bonds in. The Company also engaged SGV to provide financial and tax due diligence in 2018.

Internal Auditors

The Board Audit Committee is satisfied with the internal audit function and had assessed that it is operating effectively and is able to generally cover the top risks pertinent to the company in its audits. The Committee has reviewed and approved the annual audit program for the year which also covers the adequacy of resources, qualifications and competency of the staff and independence of the internal auditor.

With reference to the International Professional Practices Framework (IPPF) Attribute Standard 1100 which states that "The Internal Audit Activity must be independent, and internal auditors must be objective in performing their work.", the Board Audit Committee confirms that the function is executed effectively and internal auditors have conducted their responsibilities objectively and in an unbiased manner. The Committee further confirms that, to the best of its knowledge and belief, the auditors have no personal or other impairments that would prevent them from objectively planning, conducting, reporting, or otherwise participating and reaching independent conclusions in their audit assignments in 2018. Internal audit is organizationally positioned to be independent – functionally reporting to the Board Audit Committee and administratively to the President and Chief Executive Officer.

The Board Audit Committee is satisfied with the content and quality of reports prepared and issued by the internal auditors during the year under review.

Internal Audit remains to be the single-point-of-contact for the Board Audit Committee. It takes the lead in setting the standards, initiatives and overall direction of the audit team which, in turn, focus its reviews on the top risks of respective business units. Information systems and technology-related risks, however, still remain to be an area covered by the group information systems auditors.

Based on audit reports and highlights presented to the Board Audit Committee and with the contribution provided by management and other key leaders on the issues raised to their attention, the Board Audit Committee concurs with internal audit's assessment that, generally, there is reasonable assurance that the existing system of internal controls, risk management and governance allow for a generally adequate management of identified risks and effectively supports the improvement of the management of the Company as a whole. There is a need, however, to further strengthen governance and controls over security standards for information and related technologies particularly in relation to cybersecurity risks.

External Quality Assessment Review (EQAR) of the Internal Audit Function

The Internal Audit of Aboitiz Power Corp. after undergoing an External Quality Assessment (EQA) review by the authorized validators of the Institute of Internal Auditors-Philippines (IIAP) that are duly accredited by the Institute of Internal Auditors (IIA) International, received the official EQAR results in early 2018.

It is the opinion of the IIA that on the overall, the internal audit of Aboitiz Power Corporation "Generally Conforms" to the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics for internal audit practitioners. Generally Conforms is the highest rating awarded in connection with an EQA and the internal audit team has been commended for this achievement.

AP Internal Audit conducts Annual Internal Assessment in conformance to the requirements of a Quality Assured Internal Audit Function.

The EQA, much like any global certification is not required. Acquiring it helps build the reputation not just of internal audit but of Aboitiz as a Company that not only conforms, complies and follows but adopts and implements the Standards and best practices of the internal audit function. The EQA certification is valid for 5 years till 2022. Until then, internal audit will ensure that it continually works on its Quality Assurance Improvement Program (QAIP) and apply it across the group.

Review of Audit Charter

Proposed changes to the Internal Audit Charter were presented in the Board Audit Committee meetings held on March 6, 2018 and October 22, 2018, respectively. The changes were in relation to the official EQAR results as well as the annual internal assessment results for 2018. The review and updating of the Internal Audit Charter are done annually, and approved by the Board Audit Committee. The review and updating of the Board Audit Committee Charter are also done annually, endorsed by the Committee and approved by the Board.

Self-Assessment

The Board Audit Committee conducted its annual self-assessment in accordance with the guidelines of SEC Memo Circular

No. 4, series of 2012. The assessment results showed that it fully complied with the requirements set forth in the Audit Charter and met the necessary and most important requirements set by global standards and best practices.

Risk Management

The partnership between the functions of risk management and audit has remained solid. In order to continuously provide objective assurance to the Board on the effectiveness of risk management, a Joint Audit and Risk Committee meeting is held at least once a year.

Presented in the joint meeting are the top strategic risks that present a significant impact to the Company's ability to execute its plans, strategies and business objectives. These top risks are among the relevant factors in consideration for the preparation of the internal audit's master plan for the following year.

Results of the 2018 series of existence validation review by internal audit on risk management or treatment plans identified and implemented by the different business units across AP as of YE2018 will be presented in the February 26, 2019 first quarterly Board Audit Committee meeting. Assurance is given when results of the review show that majority of the risk management or treatment plans generally were either acted upon (done) or being addressed (in-progress).

After considering, analyzing and reviewing all pertinent information to the integrity of financial reporting, adequacy of internal controls, risk management, governance and compliance within Aboitiz Power Corp. and its affiliated companies, the Committee is of the view that, in all material aspects, the duties and responsibilities as so outlined in its Charter have been satisfactorily performed.

In behalf of the Committee,

(SGD.) Carlos C. Ejercito
Chairman, Independent Director

Statement of Management's Responsibility for Financial Statements

Aboitiz Power Corporation

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

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Aboitiz Power Corporation is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2018 and 2017 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.



MIKEL A. ABOITIZ
Chairman of the Board



ERRAMON I. ABOITIZ
Chief Executive Officer



LIZA LUV T. MONTELIBANO
SVP & Chief Financial Officer/Corporate Information Officer

Signed this 7th day of March 2019

Republic of the Philippines)
Taguig City) S.S.

Before me, a notary public in and for the city named above, personally appeared:

Name	Passport/CTC	Date/Place Issued
MIKEL A. ABOITIZ		August 5, 2017, Cebu January 18, 2019, Cebu City
ERRAMON I. ABOITIZ		March 11, 2017; DFA Manila January 29, 2019, Cebu City
LIZA LUV T. MONTELIBANO		May 7, 2018, DFA Manila January 10 2019, City of Taguig

who are personally known to me and to me known to be the same persons who presented the foregoing instrument and signed the instrument in my presence, and who took an oath before me as to such instrument.

Witness my hand and seal this MAR 07 2019.

Doc. No. 010 ;

Page No. 3 ;

Book No. 1 ;

Series of 2019



Atty. Leon Miguel E. Sagayadan
Notary Public for Taguig City
Notarial Commission No. 121
Until December 31, 2019
NAC Tower, 32nd Street, Bonifacio Global City, Taguig City
PTR No. A-4207122; Taguig City, January 3, 2019
IBP OR No. 061327; January 8, 2019
Roll No. 61441
MCLE Compliance No. VI-0004627

Independent Auditors' Report

Aboitiz Power Corporation

The Board of Directors and Stockholders
Aboitiz Power Corporation
32nd Street, Bonifacio Global City
Taguig City, Metro Manila
Philippines

Opinion

We have audited the consolidated financial statements of Aboitiz Power Corporation and its subsidiaries (the Group), which comprise the consolidated balance sheets as at December 31, 2018 and 2017, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2018 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Recoverability of Goodwill

As of December 31, 2018, the goodwill amounted to ₱40.22 billion, which is attributable to several cash-generating units, which is considered significant to the consolidated financial statements. We consider the recoverability of goodwill as a key audit matter due to the materiality of the amount involved and the significant management assumptions and judgment involved, which includes cash-generating unit identification, discount and growth rate, revenue assumptions and material price inflation.

The Group's disclosures about goodwill are included in Note 13 to the consolidated financial statements.

Audit Response

We involved our internal specialist in assessing the methodology and assumptions used by the Group in estimating value-in-use. We compared significant assumptions, such as growth rate, revenue assumptions and material price inflation, against historical data and industry outlook. Our internal specialist reviewed the discount rates by performing an independent testing on the derivation of the discount rates using market-based parameters. We performed sensitivity analyses to understand the impact of reasonable changes in the key assumptions. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment testing is most sensitive.

Revenue Recognition of Distribution Utilities

The Group's revenue from the sale of electricity accounts for 34% of the Group's consolidated revenue and is material to the Group. This matter is significant to the audit because the revenue recognized depends on the electric consumption captured, the rates applied across different customers, and the systems involved in the billing process. Electric consumption captured is based on the meter readings taken on various dates for the different types of customers (i.e., industrial, commercial, and residential customers) within the franchise areas of operations of the distribution utilities. In addition, the Group adopted PFRS 15, *Revenue from Contracts with Customers*, effective January 1, 2018, which involves the accounting for the sale of electricity which qualifies as a series of distinct services which is accounted for as one performance obligation that will be satisfied over the period when the services are expected to be provided.

The Group's disclosures related to this matter are provided in Notes 3 and 21 to the consolidated financial statements.

Audit Response

We obtained an understanding and evaluated the design and tested the controls over the billing and revenue process which includes the capture and accumulation of meter data in the billing system and calculation of billed amounts, and uploading of billed amounts from the billing system to the financial reporting system. We performed a test calculation of the rates using the Energy Regulatory Commission-approved rates and formulae, then compared them with the rates used in billing statements.

On PFRS 15 adoption, we obtained understanding of the Group's implementation process and tested the relevant controls. We reviewed the PFRS 15 adoption documentation and the updated accounting policies as prepared by management, including revenue streams identification and scoping, and contract analysis. We obtained sample contracts and reviewed the performance obligation identified to be provided by the Group, the determination of transaction price, and the timing of the revenue recognition based on the period when services are to be rendered. We also reviewed the notes disclosure on the adoption of PFRS 15.

Recoverability of Certain Segments of Property, Plant and Equipment

Based on the assessment of the Group as of December 31, 2018, certain segments of property, plant and equipment totaling ₱5.44 billion, may be impaired. We considered the recoverability of certain segments of property, plant and equipment as a key audit matter because of the amount involved and significant management assumptions and judgment involved which include future electricity generation levels and costs as well as external inputs such as fuel prices, electricity prices and discount rates.

The disclosure about the recoverability of certain segments of property, plant and equipment are included in Note 12 to the consolidated financial statements.

Audit Response

We involved our internal specialist in assessing the methodology and the assumptions used by the Group in estimating value-in-use. We compared the significant assumptions, such as future electricity generation levels and costs, fuel prices and electricity prices against historical data and industry outlook. Our internal specialist reviewed the discount rates by performing an independent testing on the derivation of the discount rates using market-based parameters. We performed sensitivity analyses to understand the impact of reasonable changes in the key assumptions. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment testing is most sensitive.

Consolidation Process

Aboitiz Power Corporation owns a significant number of domestic and foreign entities at varying equity interests. We considered the consolidation process as a key audit matter because it required significant auditor attention, particularly on the following areas: (a) fair value adjustments arising from business combinations, (b) numerous intercompany transactions, (c) alignment of accounting policies of the investees with the Group's policy on property, plant and equipment and investment properties, (d) translation of investees' foreign-currency-denominated financial information to the Group's functional currency and (e) other equity adjustments.

The Group's disclosure on the basis of consolidation is in Note 3 to the consolidated financial statements.

Audit Response

We obtained an understanding of the consolidation process and the related controls, the Group's process for identifying related parties and related party transactions, as well as the reconciliation of intercompany balances. We also checked the entities included in the consolidation. We reviewed the eliminating entries recorded, including fair value adjustments. In addition, we reviewed the currency translation adjustments, as well as the alignment of accounting policies on property, plant and equipment and investment properties.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Maria Veronica Andresa R. Pore

SYCIP GORRES VELAYO & CO.

Maria Veronica Andresa R. Pore

Maria Veronica Andresa R. Pore

Partner

CPA Certificate No. 90349

SEC Accreditation No. 0662-AR-3 (Group A),
March 2, 2017, valid until March 1, 2020

Tax Identification No. 164-533-282

BIR Accreditation No. 08-001998-71-2018,
February 26, 2018, valid until February 25, 2021

PTR No. 7332597, January 3, 2019, Makati City

March 7, 2019

Independent Auditors' Report on Supplementary Schedules

Aboitiz Power Corporation

The Board of Directors and Stockholders
Aboitiz Power Corporation
32nd Street, Bonifacio Global City
Taguig City, Metro Manila
Philippines

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Aboitiz Power Corporation and Subsidiaries included in this Form 17-A and have issued our report thereon dated March 7, 2019. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Securities Regulation Code Rule 68, as amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Maria Veronica Andresa R. Pore

Maria Veronica Andresa R. Pore
Partner
CPA Certificate No. 90349
SEC Accreditation No. 0662-AR-3 (Group A),
March 2, 2017, valid until March 1, 2020
Tax Identification No. 164-533-282
BIR Accreditation No. 08-001998-71-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 7332597, January 3, 2019, Makati City

March 7, 2019

Consolidated Balance Sheets

Aboitiz Power Corporation and Subsidiaries

(Amounts in Thousands)

	December 31	
	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	₱46,343,041	₱35,699,631
Trade and other receivables (Note 6)	21,721,776	17,359,828
Derivative assets (Note 34)	71,583	228,644
Inventories (Note 7)	6,690,453	5,643,607
Property held for sale (Note 12)	675,819	–
Other current assets (Note 8)	13,205,935	9,029,886
Total Current Assets	88,708,607	67,961,596
Noncurrent Assets		
Investments and advances (Note 10)	34,334,126	31,248,595
Property, plant and equipment (Note 12)	207,110,412	204,025,303
Intangible assets (Note 13)	46,165,494	46,344,658
Derivative assets - net of current portion (Note 34)	221,245	113,297
Available-for-sale (AFS) investments	–	102,999
Financial assets at fair value through profit or loss (FVTPL)	101,441	–
Net pension assets (Note 27)	126,977	56,400
Deferred income tax assets (Note 29)	2,233,695	1,406,796
Other noncurrent assets (Note 14)	10,660,179	10,217,355
Total Noncurrent Assets	300,953,569	293,515,403
TOTAL ASSETS	₱389,662,176	₱361,476,999

LIABILITIES AND EQUITY

Current Liabilities

Short-term loans (Note 16)	₱11,546,560	₱4,717,300
Current portions of:		
Long-term debts (Note 17)	8,697,404	20,692,751
Finance lease obligation (Note 35)	4,131,059	3,316,165
Long-term obligation on power distribution system (Note 13)	40,000	40,000
Derivative liabilities (Note 34)	159,926	47,577
Trade and other payables (Note 15)	21,801,288	19,852,383
Income tax payable (Note 29)	438,783	646,115
Total Current Liabilities	46,815,020	49,312,291

(Forward)

	December 31	
	2018	2017
Noncurrent Liabilities		
Noncurrent portions of:		
Long-term debts (Note 17)	₱149,360,287	₱131,360,749
Finance lease obligation (Note 35)	42,763,296	45,909,089
Long-term obligation on power distribution system (Note 13)	173,496	186,071
Customers' deposits (Note 18)	6,008,364	6,094,690
Asset retirement obligation (Note 19)	3,678,810	2,959,060
Deferred income tax liabilities (Note 29)	858,290	912,601
Net pension liabilities (Note 27)	244,857	361,228
Other noncurrent liabilities (Notes 11 and 40k)	3,183,089	402,756
Total Noncurrent Liabilities	206,270,489	188,186,244
Total Liabilities	253,085,509	237,498,535
Equity Attributable to Equity Holders of the Parent		
Paid-in capital (Note 20a)	19,947,498	19,947,498
Net unrealized loss on AFS investments	–	(625)
Share in net unrealized valuation gain on fair value through other comprehensive income (FVOCI)/AFS investments of an associate (Note 10)	101,727	124,121
Cumulative translation adjustments (Note 34)	525,916	113,637
Share in cumulative translation adjustments of associates and joint ventures (Note 10)	321,139	(144,507)
Actuarial losses on defined benefit plans (Note 27)	(587,267)	(601,461)
Share in actuarial gain (loss) on defined benefit plans of associates and joint ventures (Note 10)	29,729	4,963
Acquisition of non-controlling interests	(259,147)	(259,147)
Excess of cost over net assets of investments (Note 9)	(421,260)	(421,260)
Loss on dilution (Note 2)	(433,157)	(433,157)
Retained earnings (Note 20b)		
Appropriated	34,060,000	34,060,000
Unappropriated (Notes 10 and 20c)	74,427,738	63,006,308
	127,712,916	115,396,370
Non-controlling Interests	8,863,751	8,582,094
Total Equity (Note 20c)	136,576,667	123,978,464
TOTAL LIABILITIES AND EQUITY	₱389,662,176	₱361,476,999

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Income

Aboitiz Power Corporation and Subsidiaries

(Amounts in Thousands, Except Earnings Per Share Amounts)

	Years Ended December 31		
	2018	2017	2016
OPERATING REVENUES			
Sale of power (Notes 21 and 32):			
Generation	₱61,854,685	₱57,418,126	₱35,692,441
Distribution	44,880,546	43,532,403	44,585,832
Retail electricity supply	24,216,767	18,065,832	8,478,789
Technical, management and other fees (Note 32)	620,086	374,942	406,207
	131,572,084	119,391,303	89,163,269
OPERATING EXPENSES			
Cost of purchased power (Notes 22 and 32)	36,006,080	35,392,094	28,909,987
Cost of generated power (Note 23)	35,674,218	28,557,756	17,316,272
Depreciation and amortization (Notes 12 and 13)	8,681,403	7,596,268	6,043,527
General and administrative (Note 24)	8,188,512	7,222,268	6,613,876
Operations and maintenance (Note 25)	6,525,189	6,449,188	3,969,307
	95,075,402	85,217,574	62,852,969
FINANCIAL INCOME (EXPENSES)			
Interest income (Notes 5 and 32)	880,085	927,012	1,083,535
Interest expense and other financing costs (Notes 16, 17 and 33)	(12,082,158)	(11,247,780)	(7,704,011)
	(11,202,073)	(10,320,768)	(6,620,476)
OTHER INCOME (EXPENSES)			
Share in net earnings of associates and joint ventures (Note 10)	4,356,825	4,697,864	3,641,210
Other income (expenses) - net (Note 28)	(1,292,311)	(1,704,000)	1,669,212
	3,064,514	2,993,864	5,310,422
INCOME BEFORE INCOME TAX	28,359,123	26,846,825	25,000,246
PROVISION FOR INCOME TAX (Note 29)	2,925,623	3,858,398	3,496,140
NET INCOME	₱25,433,500	₱22,988,427	₱21,504,106
ATTRIBUTABLE TO:			
Equity holders of the parent	₱21,707,603	₱20,416,442	₱20,002,582
Non-controlling interests	3,725,897	2,571,985	1,501,524
	₱25,433,500	₱22,988,427	₱21,504,106
EARNINGS PER COMMON SHARE (Note 30)			
Basic and diluted, for income for the year attributable to ordinary equity holders of the parent	₱2.95	₱2.77	₱2.72

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

Aboitiz Power Corporation and Subsidiaries

(Amounts in Thousands)

	Years Ended December 31		
	2018	2017	2016
NET INCOME ATTRIBUTABLE TO:			
Equity holders of the parent	₱21,707,603	₱20,416,442	₱20,002,582
Non-controlling interests	3,725,897	2,571,985	1,501,524
	25,433,500	22,988,427	21,504,106
OTHER COMPREHENSIVE INCOME (LOSS)			
<i>Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods:</i>			
Share in net unrealized valuation gain (loss) on FVOCI/AFS investments of an associate (Note 10)	(22,394)	9,201	–
Movement in unrealized gain (loss) on AFS investments	–	2,686	(3,311)
Movement in cumulative translation adjustments	584,087	389,254	(55,357)
Share in movement in cumulative translation adjustment of associates and joint ventures (Note 10)	465,646	(16,304)	128,173
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	1,027,339	384,837	69,505
<i>Other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods:</i>			
Actuarial gain (losses) on defined benefit plans, net of tax (Note 27)	8,893	(13,186)	1,221
Share in actuarial gains on defined benefit plans of associates and joint ventures, net of tax (Note 10)	24,766	6,841	496
Net other comprehensive gain (loss) not to be reclassified to profit or loss in subsequent periods	33,659	(6,345)	1,717
Total other comprehensive income for the year, net of tax	1,060,998	378,492	71,222
TOTAL COMPREHENSIVE INCOME	₱26,494,498	₱23,366,919	₱21,575,328
ATTRIBUTABLE TO:			
Equity holders of the parent	₱22,602,094	₱20,617,187	₱20,124,770
Non-controlling interests	3,892,404	2,749,732	1,450,558
	₱26,494,498	₱23,366,919	₱21,575,328

See accompanying Notes to Consolidated Financial Statements.

Attributable to Equity Holders of the Parent

	Share in Net Unrealized Gains on AFS Investments of an Associate (Note 10)	Share in Cumulative Translations Adjustments of Associates and Joint Ventures (Note 10)	Share in Actuarial Gains (Losses) on Defined Benefit Plans of Associates and Joint Ventures (Note 10)	Share in Actuarial Gains (Losses) on Defined Benefit Plans of Associates and Joint Ventures (Note 10)	Excess of cost over net assets of investment (Note 9)	Loss on Dilution	Retained Earnings Appropriated (Note 20b)	Retained Earnings Unappropriated (Note 20b)	Non-controlling Interests	Total
	₱114,920	₱128,203	₱1,878	₱607,913	₱526,883	₱-	₱34,060,000	₱52,597,568	₱7,094,801	₱112,209,220
	(₱3,311)	(₱78,232)	(₱1,878)	(₱607,913)	(₱526,883)	(₱259,147)	-	20,416,442	2,571,985	22,988,427
Balances at January 1, 2017	-	-	-	-	-	-	-	-	-	-
Net income for the year	-	-	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-	-	-	-	-
Movement in unrealized loss on AFS investments	2,686	-	-	-	-	-	-	-	-	11,887
Movement in cumulative translation adjustments	-	191,869	-	-	-	-	-	-	197,385	389,254
Share in movement in cumulative translation adjustment of associates and joint ventures	-	-	-	(16,304)	-	-	-	-	-	(16,304)
Actuarial gains (losses) on defined benefit plans, net of tax	-	-	-	6,452	-	-	-	-	(19,638)	(13,186)
Share in actuarial gains on defined benefit plans of associates and joint ventures	-	-	6,841	-	-	-	-	-	-	6,841
Total comprehensive income (loss) for the year	2,686	191,869	6,841	6,452	-	-	-	20,416,442	2,749,732	23,366,919
Reversal of excess of cost over net assets of investments	-	-	-	-	105,623	-	-	-	-	105,623
Loss on dilution	-	-	-	-	-	(433,157)	-	-	-	(433,157)
Cash dividends - ₱1.36 a share (Note 20b)	-	-	-	-	-	-	-	(10,007,702)	-	(10,007,702)
Cash dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(1,281,223)	(1,281,223)
Change in non-controlling interests	-	-	-	-	-	-	-	-	18,784	18,784
Balances at December 31, 2017	₱124,121	₱113,637	₱4,963	₱601,461	₱421,260	(₱433,157)	₱34,060,000	₱63,006,308	₱8,582,094	₱123,978,464

Attributable to Equity Holders of the Parent

	Net Unrealized Loss on AFS Investments	Share in Net Unrealized Gains on AFS Investments of an Associate	Cumulative Translation Adjustments	Share in Cumulative Translation Adjustments of Associates and Joint Ventures	Actuarial Gains (Losses) on Defined Benefit Plans	Share in Actuarial Gains (Losses) on Defined Benefit Plans of Associates and Joint Ventures	Excess of cost over net assets of investment	Acquisition of Non-controlling Interests	Retained Earnings	Non-controlling Interests	Total
	₱-	₱114,920	₱185,431	₱256,376	₱609,066	₱3,748	₱421,260	₱259,147	₱20,900,000	₱4,045,046	₱101,613,567
		(Note 10)	(Note 10)	(Note 10)	(Note 27)	(Note 10)	(Note 9)	(Note 9)	(Note 20b)	(As Restated; Note 9)	(Note 9)
Balances at January 1, 2016	₱-	₱114,920	₱185,431	₱256,376	₱609,066	₱3,748	₱421,260	₱259,147	₱20,900,000	₱4,045,046	₱101,613,567
Net income for the year	-	-	-	-	-	-	-	-	20,002,582	1,501,524	21,504,106
<i>Other comprehensive income</i>											
Movement in unrealized loss on AFS investments	(3,311)	-	-	-	-	-	-	-	-	-	(3,311)
Movement in cumulative translation adjustments	-	-	(5,697)	-	-	-	-	-	-	(49,660)	(55,357)
Share in movement in cumulative translation adjustment of associates and joint ventures	-	-	-	128,473	-	-	-	-	-	-	128,473
Actuarial gains (losses) on defined benefit plans, net of tax	-	-	-	-	2,527	-	-	-	-	(1,306)	1,221
Share in actuarial gains on defined benefit plans of associates and joint ventures	-	-	-	-	-	496	-	-	-	-	496
Total comprehensive income (loss) for the year	(3,311)	-	(5,697)	128,473	2,527	496	-	-	20,002,582	1,450,558	21,575,328
Acquisition of subsidiaries (As Restated; Note 9)	-	-	(257,966)	-	(1,374)	1,374	-	-	-	3,164,230	2,800,641
Appropriation during the year	-	-	-	-	-	-	(105,623)	-	13,160,000	-	-
Cash dividends - ₱1.66 a share (Note 20b)	-	-	-	-	-	-	-	-	(12,215,283)	-	(12,215,283)
Cash dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(1,614,684)	(1,614,684)
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	49,651	49,651
Balances at December 31, 2016	₱3,311	₱114,920	₱78,232	₱128,203	₱607,913	₱1,878	₱526,883	₱259,147	₱34,060,000	₱7,094,801	₱112,209,220

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

Aboitiz Power Corporation and Subsidiaries

(Amounts in Thousands)

	Years Ended December 31		
	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱28,359,123	₱26,846,825	₱25,000,246
Adjustments for:			
Interest expense and other financing costs (Note 33)	12,082,158	11,247,780	7,704,011
Depreciation and amortization (Notes 12 and 13)	8,681,403	7,596,268	6,043,527
Net unrealized foreign exchange losses	997,010	333,868	1,505,671
Impairment loss on property, plant and equipment, goodwill and other assets (Notes 4, 12, 13 and 14)	847,619	3,233,036	169,469
Loss (gain) on disposal of property, plant and equipment	292,799	86,913	(70,252)
Unrealized fair valuation loss (gains) on derivatives (Note 34)	194,458	(451,270)	3,316
Write-off of project costs and other assets (Note 13)	50,922	79,881	249,176
Unrealized market valuation loss on financial assets at FVTPL	1,839	–	–
Share in net earnings of associates and joint ventures (Note 10)	(4,356,825)	(4,697,864)	(3,641,210)
Interest income (Notes 5 and 32)	(880,085)	(927,012)	(1,083,535)
Gain on redemption of shares (Note 28)	–	–	(16,051)
Gain on remeasurement in step acquisition (Note 9)	–	(310,198)	(350,939)
Operating income before working capital changes	46,270,421	43,038,227	35,513,429
Decrease (increase) in:			
Trade and other receivables	(3,449,871)	(3,062,564)	401,465
Inventories	(1,057,730)	(1,190,795)	(996,007)
Other current assets	(3,401,458)	(2,263,317)	(1,831,918)
Increase (decrease) in:			
Trade and other payables	2,687,675	(1,834,708)	464,167
Long-term obligation on power distribution system	(40,000)	(40,000)	(40,000)
Customers' deposits	(86,326)	(736,552)	447,964
Net cash generated from operations	40,922,711	33,910,291	33,959,100
Income and final taxes paid	(3,634,811)	(3,674,360)	(4,071,120)
Net cash flows from operating activities	37,287,900	30,235,931	29,887,980
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash dividends received (Note 10)	4,346,071	5,070,559	7,847,263
Proceeds from redemption of shares (Note 10)	80,216	8,809	57,076
Interest received	919,255	1,135,069	1,132,366
Net collection of advances (Note 10)	2,054	7,443	–
Proceeds from sale of property, plant and equipment	18,388	10,846	162,190

(Forward)

	Years Ended December 31		
	2018	2017	2016
Additional AFS investments	P–	P–	(P100,000)
Acquisitions through business combinations, net of cash acquired (Note 9)	–	894,655	(44,353,542)
Additions to:			
Property, plant and equipment (Note 12)	(8,607,781)	(16,068,050)	(28,203,291)
Intangible assets - service concession rights (Note 13)	(52,343)	(86,159)	(45,875)
Additional investments (Note 10)	(2,498,905)	(1,499,569)	(11,821,307)
Decrease (increase) in other noncurrent assets	(1,450,074)	1,073,472	(6,055,228)
Net cash flows used in investing activities	(7,243,119)	(9,452,925)	(81,380,348)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of long-term debt - net of transaction costs (Note 17)	24,494,810	43,957,187	73,474,514
Net availments of short-term loans (Note 16)	6,829,260	561,700	1,587,600
Payments of:			
Long-term debt (Note 17)	(20,626,654)	(50,967,235)	(3,085,581)
Finance lease obligation (Note 35)	(7,804,460)	(7,877,292)	(7,517,917)
Cash dividends paid (Note 20b)	(10,228,460)	(10,007,702)	(12,215,283)
Interest paid	(8,432,523)	(7,032,286)	(3,145,421)
Changes in non-controlling interests	(3,387,726)	(757,071)	(1,614,684)
Net cash flows from (used in) financing activities	(19,155,753)	(32,122,699)	47,483,228
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	10,889,028	(11,339,693)	(4,009,140)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(245,618)	(55,417)	5,612
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	35,699,631	47,094,741	51,098,269
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	P46,343,041	P35,699,631	P47,094,741

See accompanying Notes to Consolidated Financial Statements.

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Gov. Manuel A. Cuenco Avenue
Kasambagan, Cebu City 6000, Philippines
Tel (6332) 411-1800 | Fax (6332) 231-4037

Common Stock

The Company's common stock is listed and traded in the Philippine Stock Exchange.

Stockholders' Meeting

The Company's regular stockholders' meeting is held on the fourth Monday of April of every year.

Stockholder Services and Assistance

Stock Transfer Service, Inc. (STSI) serves as the Company's stock transfer agent.

For matters concerning dividend payments, account status, lost or damaged stock certificates, change of address, please write or call:

STOCK TRANSFER SERVICE, INC.

Unit 34-D Rufino Pacific Tower,
6784 Ayala Avenue, Makati City 1226, Philippines
Telephone No.: (632) 403-3798 | (632) 403-2410 | (632) 403-2412
Contact person:
Mr. Michael C. Capoy - mccapoy@stocktransfer.com.ph

AboitizPower welcomes inquiries from institutional investors, analysts, and the financial community.

Please write or call:

Investor Relations

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GRI Content Index

Aboitiz Equity Ventures, Inc.

102-55



For the Materiality Disclosures Service, GRI Services reviewed that the GRI content index is clearly presented and the references for Disclosures 102-40 to 102-49 align with appropriate sections in the body of the report.

Category	Aspects	Relevant section	Material concerns	Within organization	Outside organization	Relevance outside the organization
Environment	Energy	Power and Infrastructure	Energy Conservation Renewable Energy Generation	✓		
	Water		Efficient use of Water Maintain the standard quality of water are discharge	✓		
	Waste		Recycling of waste Proper Disposal	✓	✓	Dispose the waste through accredited recycler
	Compliance to Environmental Laws		Meet the environmental regulations	✓		
	Biodiversity		Minimize the impact on Biodiversity	✓		
	GHG Emission		To be carbon neutral	✓		
Society	Community	Corporate Social Responsibility, Banking, Land and Food	Be the neighbor of Choice	✓		
	Disaster Resilience		Increase the capacity of local government and communities in disaster preparedness	✓		
Product Responsibility	Product and Service Labeling	Power and Food	Transparency of Products and Services	✓		
	Customer Privacy		Client Information Security / Privacy	✓		
	Compliance		Compliance to Regulatory Requirements	✓		
Labor Practices	Employment	Talent Management	Attract, retain, and optimize A-People	✓		
	Training and Development			✓		
	Health and Safety			✓		
Economic	Financial Return	Power, Banking, Infrastructure, Land, Report of the CEO, Report of the CFO	Grow Profitably	✓		
	Financial Growth					

General Standard Disclosure		Section	Page No.	Remarks
GRI 101: Foundation 2016 (GRI 101 does not include any disclosures)				
GRI 102: General Disclosures 2016				
Organizational Profile				
102-1	Name of the organization	Cover Page		Aboitiz Equity Ventures, Inc.
102-2	Activities, brands, products, and services	Our Businesses	6-7	
102-3	Location of headquarters	Investor Information/Contact Details	207	
102-4	Location of operations	Our Businesses	6-7, 179	
102-5	Ownership and legal form	Corporate Structure	171	
102-6	Markets served	Our Businesses	6-7	
102-7	Scale of the organization	Our Businesses	6-7	
102-8	Information on employees and other workers	Management Approach: Talent Management, Appendices	152-153	
102-9	Supply Chain			
102-10	Significant changes to the organization and its supply chain			
102-11	Precautionary Principle or approach			None
102-12	External initiatives			None
102-13	Membership of associations			Undisclosed
Strategy				
102-14	Statement from senior decision-maker	Chairmen's Message, CEO Message	15-19, 20-27	
102-15	Key impacts, risks, and opportunities	Management Approach: Building the Aboitiz Risk Culture	142-143	
Ethics and Integrity				
102-16	Values, principles, standards, and norms of behavior	Driving a Culture of Values	3, 126-127	
102-17	Mechanisms for advice and concerns about ethics	Corporate Governance		
Governance				
102-18	Governance structure	Corporate Governance	155	
102-19	Delegating authority	Corporate Governance	155	
102-20	Executive-level responsibility for economic, environmental, and social topics	Corporate Governance	155, 160	
102-21	Consulting stakeholders on economic, environmental, and social topics	Corporate Governance	155-156, 160	
102-22	Composition of the highest governance body and its committees	Corporate Governance	155	
102-23	Chair of the highest governance body	Corporate Governance	155	
102-24	Nominating and selecting the highest governance body	Corporate Governance	156	
102-25	Conflicts of interest	Corporate Governance	160-161	
102-26	Role of highest governance body in setting purpose, values, and strategy	Corporate Governance	155	
102-27	Collective knowledge of highest governance body	Corporate Governance	155	
102-28	Evaluating the highest governance body's performance	Corporate Governance	157	
102-29	Identifying and managing economic, environmental, and social impacts	Corporate Governance	144, 160	
102-30	Effectiveness of risk management processes	Corporate Governance	144, 160	
102-31	Review of economic, environmental, and social topics	Corporate Governance	160	

General Standard Disclosure		Section	Page No.	Remarks
102-32	Highest governance body's role in sustainability reporting	Corporate Governance	154, 160	
102-33	Communicating critical concerns	Corporate Governance	156, 159-160	
102-34	Nature and total number of critical concerns	Corporate Governance	160	
102-35	Remuneration policies	Corporate Governance	158	
102-36	Process for determining remuneration	Corporate Governance	158	
102-37	Stakeholders' involvement in remuneration	Corporate Governance	158	
102-38	Annual total compensation ratio			
102-39	Percentage increase in annual total compensation ratio	Corporate Governance	158	
Stakeholder Engagement				
102-40	List of stakeholder groups	Management Approach: Key Dialogue Channels for Stakeholders	135-137	
102-41	Collective bargaining agreements	Appendix of Table	238	
102-42	Identifying and selecting stakeholders	Management Approach: Dialogue and value creation for stakeholders	134-137	
102-43	Approach to stakeholder engagement	Management Approach: Dialogue and value creation for stakeholders	134-138	
102-44	Key topics and concerns raised	Management Approach: Key Dialogue Channels for Stakeholders	135-137	
Reporting Practice				
102-45	Entities included in the consolidated financial statements	About the Report: Boundaries, Scope, and Materiality	4-5	
102-46	Defining report content and topic Boundaries	About the Report: Boundaries, Scope, and Materiality	5	
102-47	List of material topics	Management Approach: Sustainability Policy and Framework	130-131	
102-48	Restatements of information	Appendix of Tables	5	
102-49	Changes in reporting	About the Report: Boundaries, Scope, and Materiality	4-5	
102-50	Reporting period	About the Report: Boundaries, Scope, and Materiality	4	January–December 2018
102-51	Date of most recent report	About the Report: Boundaries, Scope, and Materiality		April, 2018
102-52	Reporting cycle	About the Report: Boundaries, Scope, and Materiality	4	Annual
102-53	Contact point for questions regarding the report	Investor Information / Contact Details	207, 230	
102-54	Claims of reporting in accordance with the GRI Standards	About the Report: Boundaries, Scope, and Materiality	5	This report has been prepared in accordance with the GRI Standards: Core option.
102-55	GRI content index	GRI Content Index	231-236	
102-56	External assurance			Financial statements are externally assured.

Aspect	Specific Disclosure		Section	Page No.	Remarks
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Management Approach	130-131, 142	<i>The GRI Management Approach 2016 standard and relevant disclosures 103-1, 103-2 and 103-3, cover the following material topics represented by the topic specific standards in the content index: Economic Performance, Market Presence, Indirect Economic Impacts, Procurement Practices, Anti-corruption, Energy, Water, Biodiversity, Emissions, Effluents and Waste, Employment, Labor/Management Relations, Occupational Health and Safety, Training and Education, Diversity and Equal Opportunity, Non-discrimination, Child Labor, Rights of Indigenous People, Local Communities</i>
	103-2	The management approach and its components	Management Approach	130-131, 142	
	103-3	Evaluation of the management approach	Management Approach	144	
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed			
	201-2	Financial implications and other risks and opportunities due to climate change	Major Risk involved in the business	142	2018 SEC Form 20-IS (Information Statement)
	201-3	Defined benefit plan obligations and other retirement plans	Pension Benefits	270, 287-288, 338-341	2018 SEC Form 20-IS (Information Statement)
	201-4	Financial assistance received from government			None
GRI 202: Market Presence 2016	202-1	Ratios of standard entry level wage by gender compared to local minimum wage			Undisclosed
	202-2	Proportion of senior management hired from the local community			Undisclosed
GRI 203: Indirect Economic Impacts 2016	203-1	Infrastructure investments and services supported	Infrastructure	81-85	
	203-2	Significant indirect economic impacts	Corporate Social Responsibility	101-125	
GRI 204: Procurement Practices 2016	204-1	Infrastructure investments and services supported	Infrastructure	81-85	
GRI 205: Anti-corruption 2016	205-1	Operations assessed for risks related to corruption	Corporate Governance	159	
	205-2	Communication and training about anti-corruption policies	Corporate Governance	159	
	205-3	Confirmed incidents of corruption and actions taken	Corporate Governance	159	
GRI 206: Anti-competitive Behavior 2016	206-1	Legal actions for anti-competitive behavior, anti-trust,	Corporate Governance	159	
GRI 302: Energy 2016	302-1	Energy consumption within the organization	Appendix of Table	238	
GRI 303: Water 2016	303-1	Water withdrawal by source	Appendix of Table	238	

Aspect	Specific Disclosure	Section	Page No.	Remarks
GRI 304: Biodiversity 2016	304-1	Significant impacts of activities, products, and services on biodiversity		
	304-2	"Significant impacts of activities, products, and services		
	304-4	Habitats protected or restored	Our Biodiversity Programs	108-110, 141
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	Appendix of Table	238
	305-4	GHG emissions intensity		
GRI 306: Effluents and Waste 2016	306-2	Waste by type and disposal method	Appendix of Table	238
GRI 401: Employment 2016	401-1	New team member hires and team member turnover	Appendix of Table	237-238
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees		Undisclosed
	401-3	Parental leave		Undisclosed
GRI 402: Labor/Management Relations 2016	402-1	Minimum notice periods regarding operational changes		Undisclosed
GRI 403: Occupational Health and Safety 2016	403-1	Workers representation in formal joint management-worker health and safety committees		To follow
	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities		To follow
	403-3	Workers with high incidence or high risk of diseases related to their occupation		To follow
	403-4	Health and safety topics covered in formal agreements with trade unions		To follow
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	Appendix of Tables	236-237
	404-2	Programs for upgrading employee skills and transition assistance programs	Management Approach	148-151
	404-3	Percentage of employees receiving regular performance and career development reviews		All employees receive performance review annually
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees		
	405-2	Ratio of basic salary and remuneration of women to men		Employee wage are based on position level and not by gender
GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken		None
GRI 408: Child Labor 2016	408-1	Operations and suppliers at significant risk for incidents of child labor		None
GRI 409: Forced or Compulsory Labor 2016	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor		None
GRI 411: Rights of Indigenous Peoples 2016	411-1	Incidents of violations involving rights of indigenous peoples		None
GRI 413: Local Communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs	Corporate Social Responsibility	101-125
	413-2	Operations with significant actual and potential negative impacts on local communities		None

Appendix of Tables

404-1

Focus Areas & Metrics

People	2016	2017	2018
Team Member and Engagement			
No. of team members employed	31,070	30,815	35,035
Team member satisfaction rating result	72%	40%	42%
Average training hours per team member	28	28	18
No. of volunteered hours	49,146	72,168	72,346
Retention rate	92%	90%	94%
Corporate Social Responsibility			
No. of direct and group beneficiaries	484,205	651,766	998,646
Amount of CSR fund allocation in millions (PhP)	442	456	419
No. of CSR projects	1,526	1,863	1,827
Customer Focus			
Customer satisfaction rating	4.2	4.3	4.2
No. of customers served	8,114,128	8,306,015	9,244,442
Disaster Resilience			
No. of automated weather stations installed ⁽¹⁾	738	717	756
No. of individuals trained in capacity-building training	2,402	1,772	1,901
Planet			
Carbon Emissions Reduction			
Carbon productivity in PHP million revenue/t CO2e	0.43	0.39	0.37
No. of trees planted in millions (cumulative)	5.4	5.7	6.6
Resource Efficiency			
Water consumption in cu.m	1,310,675	2,774,658	2,369,445
Energy consumption in MWh	600,946	611,682	713,079
Waste Management			
Weight of materials recycled in tons	80	32	42
Renewable Energy			
RE source, net sellable capacity (cumulative)	1,263	1,263	1,294
Ratio of RE to non-RE source	32% RE, 68% NRE	32% RE, 68% NRE	31% RE, 69% NRE
Profit			
Financial Return			
Total shareholder return (5 years)	15%	9%	2%
Return on equity	19.7%	16%	14.9%
Financial Growth (PhP billion)			
Net Income after tax	22.5	21.6	22.2
EBITDA	48.1	57.0	60.7

¹ Restated results to no. of AWS installed instead of no. of AWS deployed as disclosed in previous years.

	2017	2018
Total Work-Force		
Corporate Center ¹	424	436
Power	5,587	5,181
Banking	4,604	4,963
Food	3,777	4,111
Land	506	542
Other ²	15,917	19,802
Total	30,815	35,035

	2017	2018
Training Hours		
Corporate Center	4,465	2,480
Power	58,197	52,734
Banking	57,709	84,934
Food	7,513	24,101
Land	5,603	1,675
Total	133,487	165,923

	Male	Female	Male	Female
Gender Distribution				
Corporate Center	218	201	219	213
Power	2,282	781	2,738	1,986
Banking	1,935	2,669	1,935	2,669
Food	434	274	472	294
Land	221	190	187	190

	New Hires	Turnover	New Hires	Turnover
New Hires and Turnover				
Corporate Center	93	34	50	28
Power	308	321	157	190
Banking	1,001	516	532	405
Food	198	87	174	92
Land	115	127	74	87

	Luzon	Visayas	Mindanao	Luzon	Visayas	Mindanao
Geographical Distribution						
Corporate Center	320	80	19	337	76	19
Power	1,394	733	892	1,374	802	867
Banking	3,520	489	595	3,639	741	344
Food	409	57	228	446	68	252
Land	118	172	-	203	174	-

	Below 30	30-50	Over 50	Below 30	30-50	Over 50
Age Distribution						
Corporate Center	100	257	62	88	281	63
Power	877	1,737	449	830	1,678	535
Banking	1,740	2,596	268	1,741	2,688	295
Food	290	383	35	326	408	32
Land	148	231	32	129	220	28

¹ Includes WeatherPhilippines and Aboitiz Foundation team members.

² Refers to Construction Group, Shipbuilding, Ramon Aboitiz Foundation, and other business units of the Aboitiz Group not yet included in the reporting scope.

	Corporate Center	Power	Banking	Food	Land
Percent of team members in a collective bargaining agreement	0%	16%	29%	3%	0%

New Hires Profile	Corporate Center	Power	Banking	Food	Land
Male	36%	57%	47%	62%	27%
Female	64%	43%	53%	38%	73%
Below 30	38%	70%	68%	76%	54%
30 to 50	58%	27%	32%	24%	46%
Above 50	4%	3%	0%	0%	0%
Luzon	94%	45%	87%	60%	61%
Visayas	6%	49%	9%	12%	39%
Mindanao	0%	6%	4%	28%	0%
Staff	36%	82%	33%	14%	35%
Supervisor	22%	8%	29%	80%	55%
Manager	20%	3%	31%	5%	10%
AVP and Up	22%	7%	7%	1%	0%

Materials and Waste

	2015	2016	2017	2018
Solid Waste in tons	353	246	72	115
Hazardous Waste in tons	2,613	3,132	2,449	1,915
Fuel oil in liters	226,994,962,990	215,208	457,657	70,489,993

Energy

Energy Consumption in GJ				
Corporate Center	8,986	6,164	6,668	9,554
Power	1,233,076	1,894,770	1,867,188	2,210,718
Banking	98,064	79,527	71,180	73,075
Food	145,703	182,944	256,507	259,114
Land ⁽⁴⁾	2,488		514	14,622
Total	1,488,316	2,163,404	2,202,057	2,567,083

Water

Water consumption (in cubic meters)				
Corporate Center	9,235	9,828	16,397	14,496
Power	441,895	671,830	902,037	566,098
Banking	212,365	215,208	163,041	134,832
Food	67,963	413,808	1,683,339	1,588,689
Land ⁽⁴⁾	411,660	-	9,843	65,330
Total	1,143,118	1,310,675	2,774,658	2,369,445

Greenhouse Gas Emissions

Emissions in tons CO2e				
Total	1,558,956	2,799,188	2,486,147	2,485,588
Scope 1			2,205,030	2,295,897
Scope 2			281,116	189,690

⁽³⁾ For selected projects of AboitizLand.

⁽⁴⁾ In 2016, the energy and water consumptions of Land were folded into Corporate Center.



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